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Finance & Banking for Business

Issue 238
August 2015

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ISSN 1350 1038
www.business-money.com

Registered in England No. 7254505
Registered office:
7 Queen Square, Bristol BS1 4JE
United Kingdom

Get thee hence?

The good news is that the National Association of Commercial Finance Brokers has found a way to accommodate within its ranks those brokers that chose not to, or were unable by the nature of their business to, obtain authorisation by the Financial Conduct Authority. The bad news is that the conditions of membership may make it difficult to stay.

The clause applying to members without FCA authorisation demands: “They will allow the NACFB full and unfettered access to their business so that they (it?) can carry out an annual audit, if they (it?) decide(s) it is appropriate, to ensure the broker is complying with the terms of the policy.”

Brokers dealing with large ticket proposals for limited companies will have signed non-disclosure agreements, and may be in possession of share price sensitive information. They may have access to a clutch of specialist lenders that they have no wish to disclose to others and which also demand absolute discretion as to their involvement.

Who will be doing the audit? What will their qualifications be? These last two questions are hypothetical as Hell will freeze over before most corporate transaction intermediaries will permit access of that persuasion.

This also leads to another question. If the audit is to be carried out by the NACFB then it has finally moved from being a trade body to becoming a regulatory one. That another trade body to represent the unregulated brokers may grow up has become more likely now. This would be a shame given the efforts of so many, over more than two decades, to build the NACFB.

Why not an annual, notarised, declaration from these brokers as to compliance with the terms?

Of equal concern must be the fact that somebody requiring a complex corporate facility may be attracted by NACFB membership and FCA authorisation. That member may be a specialist on car finance or buy-to-let, both demanding sectors in their own right, but lacking as to the needs of sophisticated corporate borrowers.

To be fair, most in this position refer the proposition to a seasoned member in that sector but should they fail to do so, the client may be labouring under the misapprehension that NACFB and FCA credentials confer a level of competence that just is not there.

Worse, the marketplace is now littered with various shades of newish lenders. If credited with considerable enthusiasm, some seem lacking in certain techniques of credit appraisal and securing the loan they make.

This could have a twofold effect. First, if the lender is one of the many P2Ps that abound, the investor may lose their money and whilst the bigger P2P players only deal with wealthy entities, some are buoyed by grannies and their savings.

Second, if the lender hits trouble it may call its loan in desperation especially if granny wants her money back. A small print contingency that the seasoned corporate broker will be looking for.

Third, if the advance was made against receivables and supported by a personal guarantee, the receivables may prove uncollectable because of faulty documentation and the guarantor could find themselves called upon when believing that there was substance enough in the security given by the company to protect them.

I yield to none in my admiration for Adam Tyler, the NACFB and its endeavours to accommodate those members who find difficulties in obtaining FCA authorisation. With that said, the conditions under which those unregulated members are obliged to trade may seem a gentle hand on the arm and a finger pointing at the exit.

If so, two dangers arise. One, reputational in that prospects assume that a sophisticated financial competence is implied by a proclaimed, FCA regulated, NACFB, closed shop though sadly, some members seek this.

Two, also sadly, the prospect of another, dedicated, corporate finance trade body beckons. For the good name of the wider sector it may become essential.

Editor

Business Money

Contents

Issue 238
August 2015

Features

Inside

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Star performance

Business Money editor **Bob Lefroy** in conversation with **Evette Orams**, managing director of Hilton-Baird Financial Solutions

Evette Orams

Evette Orams joined Hilton-Baird Financial Solutions in 2007 and was subsequently appointed as managing director. Since then she has overseen the company's expansion and evolution into one of the most respected and successful independent finance brokers on the market.

In that time she has evolved the business within the wider commercial finance arena, strengthening the company while overseeing every aspect, from business development, recruitment and training to marketing strategy. Additionally, Evette runs the Polish subsidiary, and spends her time balancing her internal responsibilities with building and maintaining key funder relationships.

She has also established a new B2B lead generation agency, Pitch! Marketing, which specialises in the commercial finance market.

Evette has more than 20 years' experience in the invoice finance sector, having previously worked within a broad range of financial operations and built teams in operations, risk management and sales.

***Q** What were your childhood ambitions?*

A I had a few, from racing motorbikes – I grew up in a family of boys, so I was a bit of a tomboy at times – to being a ballerina, or a singer, or an actress. In my teens I spent a lot of time on stage, in musicals and singing in a jazz band. I was due to go to Manchester University to study drama and dance, but at the eleventh hour I met a boy and decided I didn't want to be a resting actress. I then thought a career in teaching might be good, but ended up in the world of invoice finance by a total fluke!

***Q** What qualities do you most admire in others?*

A Honesty, integrity, open-mindedness, compassion and a level head.

***Q** What has been the biggest change within the factoring industry during your career?*

A I think technology has been a force of change – not only in terms of the multiple routes to market nowadays, but also the ability to send e-mails instead of posting printed memos and letters, and having online access to vital information and seamless sales ledger integration tools. Another of the biggest changes during the past 20 years has been the evolution of the ABFA – and particularly the introduction of the PSC and the Code of Conduct, which have the potential to be the most important developments of all.

***Q** What social activity gives you the most satisfying break from a busy career?*

A I love cooking, so dinner parties at chez Orams are my favourite way to spend time with cherished friends. Of course it goes without saying for someone who loved the stage that I adore the theatre, opera and the arts.

***Q** What is your view of the current UK economic environment?*

A Positive, in terms of the wider market, with businesses finally able to start looking forward with confidence. In terms of the invoice finance market, I'd describe it as competitive but equally buoyant.

***Q** With whom would you like to be stranded on a desert island?*

A Is Brad Pitt available?

***Q** What motivates you in daily life?*

A Success. I love seeing people succeed as it leads to contentment and happiness, which in turn breeds more success.

***Q** Which historical figure would you most like to have been and why?*

A I'm happy being me, although I admired Maggie Thatcher for her passion and grit.

***Q** What are your favourite books?*

A I don't do novels; I tend to read textbooks and studies, and love reading Harvard Press.

***Q** When are you happiest?*

A When I'm amongst those I love.

***Q** Who or what has been the biggest influence on your life so far?*

A My late parents. They taught me that everything was achievable if you wanted it enough, to be resilient and driven, and most of all the importance of compassion and humility.

Evette Orams, managing director,
Hilton-Baird Financial Solutions
www.hiltonbairdgroup.co.uk/fs

Business confidence climbs to one-year high, survey reveals

Confidence across the UK's private sector economy has improved to its highest level for a year, according to the latest Markit Business Outlook Survey.

A net balance of +58% of companies across the manufacturing, service and construction sectors expect rising activity during the next 12 months, up from +53% in the previous survey conducted in February. This figure compares favourably with the global benchmark of +26%, and is also considerably stronger than the equivalent index for the eurozone which stands at +36%.

UK manufacturers remained the most upbeat, with a net balance of +62% anticipating growth of activity. The net balance for services is +58%, and +53% in construction.

Anecdotal evidence from companies suggests that an improving economic outlook, new product developments, investments in additional capacity and expansion into new markets are among the factors set to support business during the coming year. An easing of uncertainty following the general election result has also helped to lift the mood compared with earlier in the year.

However, uncertainties related to the Greek crisis, the UK's EU referendum, government spending cuts, higher interest rates, skill shortages and a strong pound remain key worries for businesses.

The improved outlook for activity is mirrored by stronger profit expectations among UK firms. A net balance of +44% anticipate an increase in profits, the highest in a year.

Employment in the UK private sector is expected to increase during the next 12 months, as additional staff are hired in line with rising workloads. The net balance of firms planning to recruit additional workers has risen to +35%, up from +32% in February, its highest level for a year. Construction firms are set to lead the way at +42%, followed by service providers at +36% and manufacturers at +26%.

The brighter business outlook has led UK firms to revise their investment plans higher. Spending on both capital equipment and research and development is set to increase at faster rates than were predicted in the previous outlook survey in February. The net balance for capex has climbed to a one-year high of +22%, up from +17%. The net balance for research and development has increased to +20% from +17%, also the strongest reading for a year.

The latest results suggest a pick-up in price pressures across the UK private sector during the next 12 months. A net balance of +41% of companies anticipate rising input costs, up from +35% in February and the highest reading since early 2014. Service providers expect the sharpest increase at +47%, ahead of constructors at +36% and manufacturers at +18%. Increased staff costs are set to be a key driver, with +59% of firms predicting a rise.

In response, firms are planning to raise their charges to customers to a greater degree. The net balance for output prices has risen to +38% from +35%. Constructors are the most confident of increasing their charges at +59%, followed by service providers at +36% and then manufacturers at +35%.

Value of non-executive directors questioned by company advisers

Only 41% of company advisers believe that non-executive directors provide good value for money, according to the latest PULSE survey from accountants BDO and the Quoted Companies Alliance.

This perception of value has dropped from 57% when the same question was asked of them in 2013.

PULSE is the report of the QCA/BDO Small & Mid-Cap Sentiment Index, powered by YouGov. It is an online tri-annual survey across the small and mid-cap quoted company sector.

The latest study revealed a stark contrast in the views of the small and mid-cap quoted companies and their advisers – brokers, bankers, accountants, lawyers and so on – with the companies themselves having a very positive view of the value for money that NEDs represent, up from 71% in 2013 to 83%.

In order for NEDs to provide better value, companies suggest that they should work a couple of extra hours a month per directorship in addition to the average of about 14 hours a month that they are currently working.

Advisers, meanwhile, believe that NEDs should be making considerably more effort, suggesting a monthly total, on average, of 23 hours would be more appropriate. With NEDs holding an average of three directorships and making an average of £33,400 for each position, they are currently earning around £110, 000 a year for six full days a month.

There were further differing opinions between companies and advisers over the perceived independence of NEDs. While 93% of companies felt that their NEDs were sufficiently independent, only 64% of advisers felt this is the case.

However, the two groups did broadly agree that NEDs made a valued contribution in terms of offering a broad view on business matters, providing checks and balances and helping to improve corporate governance, although companies would like them to open their address books more to provide networking opportunities and to provide more forward thinking for their businesses.

Scott Knight, head of audit at BDO, commented: "There is clearly a divide between how companies and their advisers view the value for money that non-executive directors represent. The fact that the vast majority of firms are happy with the return on investment they get from these individuals suggests that the amount of work they do behind the scenes, in terms of counselling and providing an alternate point of view, is of great value to boards, but rarely seen by the outside world."

Tim Ward, chief executive of the QCA, added: "NEDs are essential for an effective board; however, there are mixed views about whether they are sufficiently independent.

"Independence may be a state of mind, but few of us are mind readers, therefore NEDs need to think carefully about how they demonstrate this important and valued trait."

Product News

Shawbrook extends range of residential investment products

The commercial mortgages division at Shawbrook Bank has announced a series of enhancements to its residential investment product suite, along with a new product to complement the range.

Named RI0, the new product is designed for simple residential properties intended for private letting, which do not require any works. The product is priced at 3.79% on LTVs up to 60% and 4.10% at 75% LTV, with reduced legal fees, and is aimed at investors with available deposits and whose rental income services their debt.

Shawbrook has also refined its existing RI1 specialist residential product to cover multi-units, leasehold flats, newly built or newly converted flats, flats above commercial, residential property let to the council or housing association, and properties requiring minor works prior to being let out.

The rate reductions range from 0.05% to 0.15% depending on LTV. Incorporating the new price reductions, Shawbrook's residential investment range and rates are now as follows:

- RI0 – NEW simple residential priced at 3.79% on LTVs up to 60% and 4.10% at 75% LTV.
- RI1 – for specialist residential priced at 4.40% on LTVs up to 60% and 4.70% at 75% LTV.
- RI2 – for HMOs and student lets priced at 4.50% on LTVs up to 50% and 4.85% at 75% LTV.
- RI3 – for portfolios priced at 4.40% on LTVs up to 60% and 4.70% at 75% LTV.

Further to these changes, the bank has adjusted its pricing strategy to provide a simpler and more tailored approach for expat business – a sector that has seen strong growth for Shawbrook during the past 18 months. A simple price loading has been incorporated with +0.25% for expat business on the new RI0 simple residential product, and +0.10% for RI1/2/3 within the relevant LTV banding.

Karen Bennett, sales and marketing director for commercial mortgages, said: "We are aware that ours is an ever-changing industry, and we're always looking to make improvements to support our broker partners and allow customers to benefit from healthy competition.

"A commitment to providing clarity across our credit appetite was one of the driving reasons for the new product, and we are confident that the rate reductions will ensure the range remains highly competitive.

"We are very excited about the new RI0 product, which we hope will prove valuable to investors looking for simple residential investment property. We look forward to the impact this will have on market growth."

For more Product News, see page 64

British expats remain keen to access buy-to-let properties in UK

British expats are still as keen as ever to invest in a buy-to-let property back home, according to Skipton International.

Despite changes announced in the recent UK budget, Skipton managing director Jim Coupe says there has been no reduction in the number of enquiries the bank is receiving.

He commented: "Our customers generally aren't higher-rate UK taxpayers, they are small expatriate private landlords keen to own bricks and mortar back home. As a result we're not expecting the budget to have much effect on their motivations.

"The basic reasons why they want to invest in property are still there, and the rental market in the UK is backing this up. Small private landlords have become increasingly important for the supply of housing in the UK, and their influence is predicted to increase not fall."

The chancellor has announced a future and phased cut in tax relief for property investors, prompting some commentators to claim it will force a big sell-off as their investments become less profitable.

However, the move will mainly impact large landlords, i.e. those who are likely to have a property portfolio as opposed to one or maybe two interests. The cut will, over the next four years, see a reduction in the 40% or 45% relief. The maximum relief will instead be set at 20%.

Expat landlords would have to be receiving more than the current threshold of around £32,000 in rental and other UK taxable income to have qualified for the higher tax rate and therefore the relief. The other budget change is that, from next April, landlords will not be able to automatically claim 10% of the rent against wear-and-tear costs, but will instead only be able to deduct costs they actually incur.

Jim added: "Most landlords won't really be out of pocket. They will still be getting their costs back for any repairs. The essential facts are that the private rented sector has grown dramatically in recent years, and it's predicted to continue growing as more young people seek rented accommodation rather than buy their own home. It is simple supply and demand, and the reality will be that if costs do go up, so will rents.

"Of course, anyone thinking about entering the buy-to-let market should speak to a qualified tax adviser to ensure the investment is right for them, and that includes considering inheritance taxes."

Continued on page 6 ➤➤

Continued from page 5

Card fraud losses up by 6% in the UK and throughout Europe

Card fraud losses across 19 countries in Europe rose by an average of 6% in 2014, according to a new report from analytic software company FICO based on data from Euromonitor International.

However, the low overall rise masks large shifts in so-called cross-border fraud, where criminals use data on cards from one country to commit fraudulent transactions in another.

UK card fraud losses rose by £29m last year, a 6% rise compared with 2013. Most of this increase was due to cross-border fraud, with domestic losses remaining flat.

In the UK, FICO previously reported a 25% increase in cross-border fraud on debit cards in 2014 compared to 2013. Almost half (47%) of the fraudulent transactions were taking place in the US, a pattern that seems related to the delay in US adoption of EMV technology.

The first wave of the EMV liability shift takes place in October 2015 in the US.

Martin Warwick, FICO's fraud chief for Europe, commented: "Banks in the UK and most of Europe adopted EMV technology years ago, so it may appear that they have little to worry about from mag-stripe fraud. However, the trends suggest that any European plastic card can be targeted as criminals try to fill their boots before the US finally shuts the door on skimming fraud."

As reported in the FICO European Fraud Map for the past three years, the leading type of fraudulent card transaction is so-called card-not-present fraud. The percentage of losses from CNP fraud averaged 41% for western European countries, and 23% for eastern European countries. In the UK, e-commerce spending in the UK more than doubled between 2008 and 2014, but CNP fraud losses have grown just 1% in that time.

France had the highest card fraud losses relative to card sales, followed by Greece and the UK, which is the same ranking as last year.

Metro Bank reports record growth in lending during Q2

Vernon Hill

Metro Bank's second quarter trading figures for 2015 show significant growth in lending, with total loans reaching £2,201m; a year-on-year increase of 90%, and a record single quarter increase of 20%, up by £371m from the £1,830m reported during Q1.

Total deposits grew by £416m to £3,791m, up from £3,375m reported at the end of the previous quarter, reflecting quarterly growth of 12% and 94% year-on-year. Total assets grew to £4,567m in Q2, up from £4,248m during the first quarter; a quarterly increase of 8%, and 62% year-on-year.

Lending to business customers is still a strong focus, accounting for 44% of total loans as at 30 June.

Capital ratios remain robust and well above regulatory requirements. Capital as a percentage of risk-weighted assets is 19%. Leverage ratio is 10%. Both remain well above UK competitor norms.

The number of customer accounts opened saw record single-quarter growth to 30 June 2015, increasing by 49,000 to reach 544,000; an increase of 10% on the first quarter, and 51% year-on-year.

The loss after tax has declined for the eighth successive quarter to £8m, compared to a loss of £8.5m after tax during the previous quarter. This represents a quarterly decrease of 6%, and year-on-year decrease of 19%.

The bank also continued to invest in its store network over the quarter, with new branches opened in Tunbridge Wells and Harrow, taking the total nationwide to 36.

Metro Bank founder and chairman Vernon Hill said: "As we celebrate our fifth anniversary we would like to extend our thanks to all of our customers, colleagues and investors who have supported us in our mission to revolutionise British banking, and helped us to achieve unparalleled growth."

Aldermore launches Business Lounge in Leeds to help SMEs

Aldermore has launched its new Business Lounge in Leeds city centre, and to mark the occasion held an enterprise seminar for SMEs to discuss the key essentials for business success.

The aims of the Business Lounge are to support small firms and to encourage entrepreneurialism. Based at Aldermore's Leeds office on 76 Wellington Street, it is a free-to-use space which offers meeting rooms, event space and access to the bank's business experts.

At the seminar to mark the opening, the guest speakers were Tony Robinson OBE, from Enterprise Rockers, and Ian Digby, from The Pensions Regulator. They talked to SME owners from across Yorkshire about essential tips for their businesses and the new pensions auto-enrolment changes.

Continued on page 8

Continued from page 6

Debit and credit card transactions rise by 12 million during May

The number of UK debit and credit card transactions grew by 1.1% last month to reach 1.093 billion, according to the latest figures from The UK Cards Association.

Total card spending rose to £51.1bn, up by 0.8% during the month. Debit cards made up 71.4% of all card spending, amounting to £36.5bn.

Consumers made 124 million online purchases during May, up by 1.5% on April, spending a total of £11.2bn. Internet spending represented 21.8% of total card spending.

The average value of a card transaction dropped to £46.92 in May, down by more than £1 compared to a year ago. This amount has fallen consistently since 2011, reflecting the increased use of contactless cards and the ongoing migration from low value cash payments towards cards.

Richard Koch, head of policy at the association, said: "More and more consumers are now choosing to reach for the cards in their wallets first when they come to pay. With the contactless limit increasing to £30 from September, it's expected that the growing trend of using cards rather than cash will continue."

Spending on tax preparation services saw the largest growth in May, by 58%. There were also large increases in spending at retail outlets offering leisure activities.

Sunday Times Top 100 list features financial services companies

No less than seven firms in the financial services sector are featured in this year's *Sunday Times 100 Best Companies To Work For List*.

The annual survey ranks Britain's happiest and most motivated workforces at firms with between 250 and 3,500 employees.

Included on the list for 2015 are the following financial services companies:

- Skipton Financial Services, ranked at 17.
- Amigo Loans at 23.
- Think Money Group at 27.
- Bibby Financial Services at 50.
- Skipton Building Society at 58.
- Chase De Vere at 95.
- Brooks MacDonald at 96.

A spokesman for *The Sunday Times* said: "The success of these seven companies in making the Top 100 list is a huge achievement for the industry, highlighting the commitment dedicated to employee engagement."

The compilation of next year's list is already underway, with applications accepted until Friday, 2 October.

Accounting standards changes will cut red tape for small firms

Danielle Stewart, head of financial reporting at Baker Tilly, has commented on the new accounting standards for micro-entities and small entities released by the Financial Reporting Council.

She said: "The landmark changes to accounting standards will have the effect of cutting red tape for any small company in the UK which chooses to take up the exemptions. It is a credit to the UK government and the FRC that they have opted to deregulate as much as they were able to under the recent EU accounting directive.

"While some accountants may mourn the withdrawal of the current accounting standard for smaller entities, the new replacement standard will allow about 1.5 million of the UK's smallest companies to benefit from far simpler reporting requirements. This should allow accounts to be prepared that are much more proportionate to their users' requirements, saving business owners considerable time, money and hassle.

"But perhaps the most significant impact of this new regime arises because of the upper turnover threshold for small companies being raised from £6.5m to £10.2m – the highest level permitted under the EU directive. This will mean that thousands of companies newly qualifying as small will have significantly limited disclosure requirements. It will also be the first time under new UK GAAP that small companies will not have to include a cashflow statement in their accounts.

"For some time, business owners have been critical of the onerous reporting requirements placed on them. These new standards represent a fundamental step towards addressing their concerns."

Santander and the EIF join forces to assist innovative businesses

The European Investment Fund has signed a new agreement with Santander to increase lending to innovative SMEs and small mid-caps in the UK.

This is the first transaction in the UK to benefit from the support of the European Fund for Strategic Investments which will be deployed by the European Commission and the EIB Group. The agreement allows Santander to provide €140m, or £100m, of finance to innovative UK firms during the next two years.

The loans will be backed by an EIF guarantee, enabled by the InnovFin initiative with financial backing from the EC's Horizon 2020 programme. Under the scheme Santander will offer innovative companies additional financing at more favourable rates.

Steve Pateman, head of UK banking at Santander, said: "Supporting and driving innovation is a central pillar in our growth plans to become the bank of choice for ambitious UK businesses. SMEs need access to multiple sources of finance, and our agreement with the EIF allows us to further boost support for innovative small firms at discounted rates."

The InnovFin SME Guarantee aims to encourage banks and other financial institutions to lend to SMEs and small mid-caps in need of investment and/or operating capital to finance research, development and innovation activities, with EU financial support.

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Legally blind

Vehicle finance broker and consultant **Graham Hill** on the folly of unenforcable motoring laws, the advantages of contract hire over personal contract purchases and his hopes for the new Top Gear

Graham Hill

We all know that laws are set generally for the good of all, and that most of us have an in-built moral compass that constantly points us in the right direction and stops us from breaking the law.

Even if you think you are capable of driving a car safely after four drinks, chances are you'll stop at two or not have a drink at all when driving. The chances of getting stopped after having four drinks may be remote, but knowing that an arbitrary figure of 80g of alcohol per 100ml of blood is the legal limit the vast majority of drivers stick within it.

When the legal limit was dropped to 50g/ml in Scotland last year, the number of prosecutions for drink-driving halved. I believe this was because the publicity was enough to awaken the moral compass of drivers and stop them from breaking the new law just because it was a new law. The same applies to speed limits. An arbitrary limit of 70mph for motorways and dual carriageways was introduced in December 1965. Today most of us drive cars that could very comfortably be driven at 80, 90 or 100mph, but because it is the law most of us stick to 70 or thereabouts.

Drink-driving and speeding are two laws that are easy to police. But is it right to introduce laws that are virtually impossible to police? Take using a mobile phone, which is on the cusp of being enforceable. People do get prosecuted, but mainly after an accident when it can be shown that the person driving was on the phone or sending a text.

You can be convicted of driving without due care and attention if caught drinking or eating at the wheel – but how on earth are drivers breaking this law going to get caught? It is the same situation with smoking in a car that is used for work and may carry anyone else while being used for work. Are the police going to stop a car being driven by someone who is smoking and ask if the car is used for business, and if so will he ever carry another member of staff in the car, even if he doesn't smoke with anyone else in the car? It ain't going to happen.

In October it will be illegal to smoke in a car that is carrying anyone under the age of 18. If you are the driver and you are caught smoking, you will be fined £50; you will also be fined if a passenger is caught smoking in a car that is carrying a child under 18, as you should have prevented the passenger from smoking.

Now, as someone who has never smoked in his life, I applaud anything that helps people to kick the habit and prevents youngsters from being exposed to second-hand smoke. But introducing laws that can't be enforced does nothing to help. I believe that the answer is education, and it should be easy to fund.

A special tax on cigarettes specifically for educational purposes could pay for advertisements or school resources showing the consequences of smoking and the effect of passive smoking on others. The same could be done with booze, paying for educational materials showing the consequences of drink-driving. Mobile phone providers could have an extra tax imposed to educate drivers about the dangers of talking and texting on a mobile while driving. Sadly, the introduction of unenforceable laws looks set to continue. When will we ever open our eyes?

Lease is the word

Here's some handy info for those who are confused as to why I have a preference for contract hire, often referred to as leasing, as opposed to personal contract purchase.

The first myth to clear up is that PCP is better because you don't pay VAT on the monthly payments as you do with leasing. Incidentally, both are a form of leasing but, for the sake of clarity, we will call personal contract hire leasing as opposed to PCP.

With regard to this argument you are deluded if you feel that you can get away with not paying VAT. In the case of a lease, the leasing company can recover 100% of the VAT on the purchase price of the car. So a car costing £10,000 plus VAT will stand in their books at just £10,000 having recovered the £2,000 VAT from the kind VAT man. This means that within the rate calculation you only pay interest on the net price of £10,000, but you pay VAT on the monthly payments.

While you may pay no VAT on the PCP monthly payments, the finance company providing you with the finance cannot reclaim the VAT so the calculations are based on the VAT inclusive price, in this case £12,000. So with PCP you end up paying interest on the VAT, which means that on a level playing field – i.e. discounts being the same for both forms of finance – you will pay less for a lease.

Let me explode another myth when it comes to PCP. I've listened to many rows in car dealerships between dealers and customers who are told that the car on PCP, that they were expecting to part exchange for a new car with a down payment after settling the balloon payment, is not worth the final guaranteed figure. It's shocking! It's a disgrace! But is it? They were told when taking out the PCP that they should have some profit in the car when they get to the end of the agreement

that can be used as a down payment on the next car. In fact the profit, if there is any, is actually a refund of money you have already paid. In terms of the most beneficial position, the best is if the car is worth less than the final payment, next is if the car is worth the same as the final payment and the worst position is if the car is worth more than the final payment.

Let's take a car costing £10,000 financed on a PCP with a final optional payment of £4,000. Let's say that the car is actually worth £5,000 at the end of the agreement and you PX the car with the dealer who gives you back £1,000. This isn't profit, it is a refund of money you have already paid. Had you bought the car for cash you would have sold it for £5,000, costing you £5,000 in depreciation, but you have paid down to a figure of £4,000 so you have already paid £6,000 in depreciation plus some additional interest charges. Giving you £1,000 is simply a refund of money paid.

Now let's look at the other position, the one that customers complain about. Let's say the £10,000 car is only worth £3,000 at the end of the agreement, so all you can do is exercise your option to hand the car back with none of the expected profit. Actually you are in profit, you are quids in! You have paid £6,000 in depreciation, but had you bought the car for cash then sold it or used it as part exchange at the end of the three years you would have only received £3,000, and you would have lost £7,000. So, as you can see, you are much better off when the car is actually worth less than the final payment.

There are many other myths attached to PCPs, but more of those in future articles. In the meantime you can write to me if you would like to subscribe to my newsletter and receive regular hints, tips, advice and news. Also, as a subscriber to **Business Money**, if you have a specific question about car finance you can drop me a note and I'll give you an answer for free. Write to ghafinance@aol.com.

Changing gears

For those who love Top Gear and its infamous presenter, Jeremy Clarkson, I'm sure it came as great news that he'll be returning to our screens via a deal with Amazon. Personally I haven't been a big fan of the show for years, possibly because I find driving a caravan off a cliff or racing a Ferrari for 500 miles against a Chinese boy on a rickshaw boring.

In its earlier days, there was a part of Top Gear dedicated to reviewing new cars, not just the latest Bentley, Ferrari, Lamborghini or McLaren. It was a great way for motorists to understand some of the latest technological developments and compare the various makes and models of vehicles, including those from lesser-known manufacturers such as Kia, Skoda and Seat. The programme was packed with information and showcased new and often unbelievable developments that would years later become commonplace.

I seriously hope that the producers of the new format Top Gear on the BBC return to their roots and show us the latest in new car designs and technological developments that we are all likely to enjoy. I also hope that they will cover some practical issues such as finance, insurance and the law. Sadly, I have visions of the Ferrari-owning new presenter, Chris Evans, favouring the lunatic antics of the most recent Top Gear format.

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UK buy-out value on track for growth in 2015

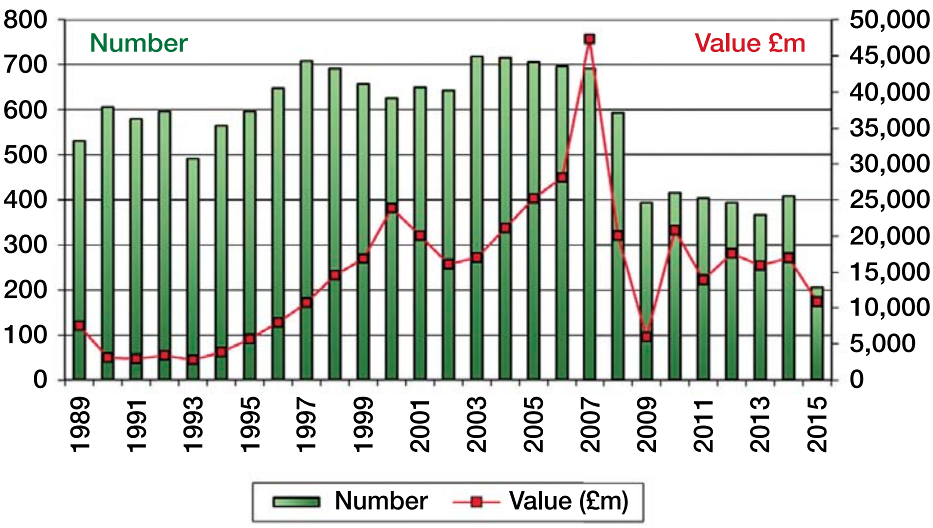
Half-year figures from the Centre for Management Buy-Out Research

The UK buy-out market looks set for a second year of growth, with overall deal value standing at £11bn by the end of June; a marked increase on the total of £7.9bn recorded during the first half of 2014.

Newly-released half-year data from the Centre for Management Buy-Out Research, supported by Equistone Partners Europe, suggests that the full-year total for 2015 will beat the £16.9bn that was invested in UK-buy-outs last year.

Buy-out numbers are also continuing to show some improvement on the 368 deals that were recorded during the whole of 2013. The total rose to 408 buy-outs during 2014, and so far this year 206 deals have been completed.

Figure 1: UK buy-out trends – number and value by year, to end of H1 2015 Source: CMBOR and Equistone Partners Europe



UK highlights

- Private equity-backed buy-out value is still on the path of growth too. From the total of £13.2bn recorded during the whole of 2011, value rose in 2012 to £17bn but declined in 2013 to £15.3bn. Last year PE-backed buy-out value rose again to £16.3bn, and £10.6bn has already been recorded in the first six months of this year.
- The number of PE-backed buy-outs, meanwhile, is remaining fairly consistent with the totals seen in recent years. There were 193 such deals in 2013, with a rise to 231 last year; during the first half of 2015, 107 PE-backed buy-outs were completed.
- Both the volume and value of management buy-out deals remains low. The number of UK MBOs reached a record of 538 in 2003, but since then the annual total has declined markedly. Just 210 were recorded in 2013, and there was only a slight rise last year to 229. In the first half of 2015, MBO deals are low at 105. Similarly, since the record of £11.4bn seen in 2007, there has been a significant fall in full-year MBO value. A total of £1.9bn was recorded in 2013, and while this rose to £3.5bn in 2014, the figure for H1 2015 is low at £1bn.

Buy-outs continue to account for high levels of UK M&A activity

As a proportion of UK M&A activity by number of transactions, buy-outs amounted to 44% in 2007, rising to 58% in 2009. In both 2012 and 2013 buy-outs accounted for about 60% of UK M&A by number. This rose to 68% in 2014, and 80% in the first quarter of 2015.

As a proportion of UK M&A value, buy-outs rose to 64% in 2007. This measure then fell to 33% in 2009, but rose to 62% in 2010. Buy-outs accounted for 84% of all UK M&A value in 2012, and 68% in both 2013 and 2014. During the first quarter of 2015, the figure stood at 86%.

Value slows during Q2 2015

The second quarter of 2007 saw the UK buy-out market reach a peak quarterly value of £20.5bn; by contrast, Q3 2009 had a total value of £1.1bn. The highest quarter in 2013 was Q3 at £4.8bn, while last year Q1 recorded £4.7bn and Q4 £5.1bn. During the first quarter of 2015 value stood at £6.9bn, falling to £4bn during Q2.

Buy-out numbers peaked at 212 in Q2 2008 due to capital gains tax changes. By the final quarter of 2009 the number had fallen to 92. Numbers are now generally lower per quarter, ranging between 84 and 124 in 2012.

The first quarter of 2013 was the highest, with 100 deals; last year Q4 saw the largest number of buy-outs, at 107, while Q1 saw the lowest at 93. In Q1 2015, 109 buy-outs were completed; there were 97 in Q2.

UK lower mid-market remains slow

Mid-range buy-outs – those in the £10m-100m range – totalled 203 in 2007, but this number fell to just 50 in 2009. In 2012 deal numbers rose to 111, but there were only 86 mid-range buy-outs in 2013. Last year 102 such deals were completed; there were 44 during the first six months of 2015.

Buy-out activity below £10m fell sharply in 2009 to just 332 deals, after 412 in 2008. By 2012 only 251 sub-£10m-range deals completed, and there were 239 in 2013. In 2014 a total of 256 small buy-outs were recorded, and there were 136 in the first half of this year.

Buy-outs of more than £100m continue at high rate

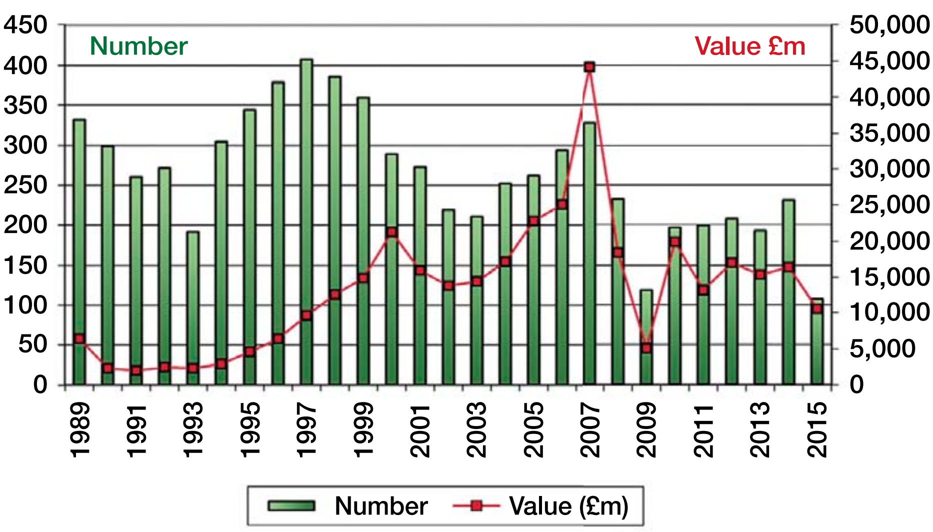
During 2007 the number of buy-outs worth more than £100m reached a record of 68, collectively worth £39.5bn. In 2008 there were 39 buy-outs in this range, with a combined value of £14.5bn. However, in 2009 buy-outs over £100m fell to 13, totalling £3.6bn.

Things picked up somewhat in 2012, as there were 33 deals in the higher range with a collective value of £13.3bn. The following year there were 43 such deals recorded, worth a total of £12.5bn.

Last year £12.8bn was recorded from a total of 50 £100m+ deals, the highest number since 2007. During the first half of 2015, deals worth more than £100m remain strong at 26, with a combined value of £9.1bn.

New Look, at £1.9bn, is the largest buy-out in 2015 so far and the first £1bn+ buy-out seen in the UK since August 2012.

Figure 2: UK PE-backed buy-out trends – number and value by year, to end of H1 2015 Source: CMBOR and Equistone Partners Europe



Average buy-out value moves higher

From £24m in 2003, average UK buy-out value increased to reach £68m in 2007, influenced largely by the £11.1bn Alliance Boots deal. The average fell in 2009 to £15m, but increased to £50m in 2010.

In 2013 the average stood at £43m; last year it was £42m. During the first half of 2015 the average deal value was high at £53m.

Buy-outs from private companies make up close to half of market

Family/private firm buy-outs contributed 38% of volume in 2013, while last year the proportion was 44%. This rose to 47% during H1 2015.

Local parent divestment fell from a fifth of market volume in 2013 to 15% in 2014 and just a 10th of deal flow in 2015. Secondary buy-outs contributed 26% of volume in H1 2015, and 56% of market value.

London and the south east are largest regions by value

In 2013 London recorded deals collectively worth £5.1bn, while in the south east region the total stood at £3.1bn. The north west contributed £1.7bn.

Last year London reached £5.8bn, with the south east at £2bn. The north west also ended the year with a total deal value of £2bn, while Yorkshire/Humberside had £1.9bn invested.

In H1 2015, London recorded a total deal value of £2.6bn; in the south east the figure was £2.4bn, in Yorkshire/Humberside £1.5bn, and in the south west £1.9bn.

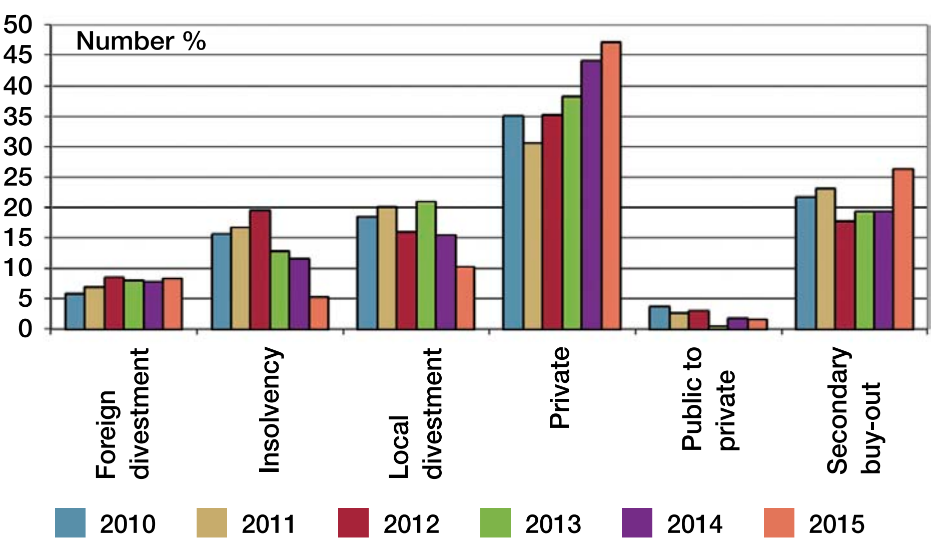
London had 65 buy-outs during the whole of 2014; during the first half of this year, 36 were recorded. Deal flow in the north west stood at 58 in 2014, and 33 in H1 2015.

Additionally, 30 buy-outs were recorded in the south east during the first six months of this year, while the Yorkshire/Humberside region had 26.

Business services slows

The UK's business services sector recorded a total deal value of £3bn in 2014, while the technology, media and telecommunications sector saw buy-outs collectively worth £2.4bn. The financial services sector stood at £2bn, and leisure at £2.4bn.

Figure 3: Sources of UK buy-outs/buy-ins – percentage of total number, to end of H1 2015 Source: CMBOR and Equistone Partners Europe



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Continued from page 13

The manufacturing sector's total deal value rose to £2.7bn last year; in the first half of 2015, the figure stood at £1.3bn. Business services recorded £794m in H1 2015, with leisure and retail both at £2.3bn and TMT at £2.4bn.

Manufacturing had 66 buy-outs in 2012, down from 183 in 2006. In 2014 the sector saw an improvement, with 96 buy-outs completed by the end of the year; 49 were completed in the first six months of 2015.

Business services had 73 deals in 2014, and 29 in H1 2015. TMT recorded 51 deals in 2014, and 25 in H1 2015.

Debt levels beginning to return to previous highs

For buy-outs between £10m and £100m, EBITDA multiples stood at 7.7 in 2013 with 8.6 recorded in 2014 and 9.7 in H1 2015. EBITDA multiples for buy-outs over £100m recorded 10.4 in 2012, with 12 in 2013 and 12.3 in 2014. In H1 2015, 13.2 was recorded.

Average equity stakes for buy-outs over £10m rose in 2011 to 67%, after being as low as 37% in 2005. In 2014 equity stood at 52%, and 50% in H1 2015.

Average debt for deals over £10m fell from 52% in 2006 to just 27% in 2011. By 2014 debt levels had risen to 45%, and during the first half of 2015 they reached 51%.

Exit value on track for a second successive record

Exit numbers rose to a record 470 in 2007, but fell to 394 in 2008. In 2012 there were 300 exits with 291 in 2013. Exits numbered 302 in 2014, with 141 during H1 2015.

Exit value reached £28bn in 2006, followed by £24.8bn in 2007. In 2008 exit value ended the year at £10.6bn, and then fell to £3.4bn in 2009. In 2012 exit value rose to £18.1bn, and in 2013 exits recorded £24.4bn. Last year exit value reached a new record of £36.8bn, and this has surged to £23.2bn during the first half of 2015.

Trade sales reached 139 in 2014, with 55 in H1 2015. Secondary buy-outs numbered 79 last year, with 54 in the first half of this year.

Following just three IPOs in 2012, there were 10 in 2013 with a combined market capitalisation of £9.8bn. In 2014, 24 IPOs amounted to a record value of £16.2bn. The nine IPOs seen during the first six months of 2015 totalled £6.6bn.

Creditor exits of buy-outs rose to 194 in 2009, but by the end of 2013 the number had fallen to 74, with only 60 in 2014 and 23 in H1 2015.

CMBOR and Equistone Partners Europe
www.equistonepe.com

For the CMBOR half-year buy-out figures for Europe, see pages 60-62.

Major UK buy-outs in H1 2015

Company	Deal month	Vendor	Value (£m)	Value type
New Look	June	Apax & Permira	1,900	Actual
Advanced Computer Software/ACS	March	Prudential + insurance companies	725	Actual
Sky Bet/Sky Betting and Gaming	March	Sky plc	720	Actual
Big Bus Tours	March	Private	500	Actual
Trainline/thetrainline.com	March	Exponent Private Equity	500	Estimated
Premium Credit	March	GTCR	462	Actual
Survitec	March	Warburg Pincus	448	Actual
Ibstock Group	April	CRH plc	414	Actual
NEC Group	January	Privatisation – Birmingham Council	307	Actual
Prezzo	February	Public-Private	304	Actual
A-Plan Insurance	April	Equistone PE	300	Estimated
Ask Italian and Zizzi Restaurants	February	Cinven	250	Actual
TGI Fridays UK	March	TGI Fridays Inc (USA)	225	Estimated
Access Technology Group	January	Lyceum Capital	225	Estimated
SSP	March	Hellman & Friedman	207	Actual
The Foundry	May	Carlyle Group	200	Actual
Clarion Events	January	Veronis	200	Actual
Kensington Group	January	Investec plc	180	Actual
Linpac Group Holdings	January	Private	170	Actual
Poundworld Retail	May	Private – Chris Edwards	150	Actual
DAMtel Ltd	March	Private	149	Estimated
Shimtech/Auctus	May	Bridgepoint Capital	141	Actual
Hanson Building Products	March	HeidelbergCement (Germany)	125	Range

Nucleus changes the business landscape for Midlands firm

The challenge

- A 40 year-old landscaping business had grown its turnover to £13 million
- Suffered a £350,000 bad debt so approached its bank for additional support but was rejected
- Contracts in place with debtors meant 'mainstream' invoice finance was not an option
- Personal security had to be kept to a minimum as the Directors had not given guarantees previously
- Seasonal business with cashflow needs ranging between £0.5 million to £1.5 million across the year
- Advisors to the business introduced all of the 'specialist' lenders active in this sector

The solution

- Nucleus structured the security package with minimal limited payment guarantees but a charge over a commercial property
- 60% pre-payment and flexible funding limit between £0.5 million and £1.5 million
- Client looked at three competitors before choosing Nucleus for its flexibility on pre-payment, transparent pricing and security package

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nucleus
commercial finance

Who's Moving?

The new Ultimate Finance team in Glasgow. From left: Euan Bell, Lynsey Innes, Richard Waldman, Mandy Butler and Lisa Waldman

Experienced asset-based lenders join Ultimate in Scotland

Just months after announcing its move into Scotland, Ultimate Finance has attracted four experienced asset-based lenders to its Glasgow office.

Lynsey Innes, **Euan Bell**, **Mandy Butler** and **Lisa Waldman** have a combined experience of more than 60 years in the sector, and all have an excellent reputation in the marketplace.

Lisa, Mandy and Lynsey have joined from Aldermore, where they previously worked with Richard Waldman, who launched the new Ultimate office in February this year. All of them have expertise in invoice finance and have a great track record in working with clients, providing much-needed funding and helping them to grow.

Mandy and Lisa have been appointed into client-facing and operational roles, tasked with ensuring that clients in Scotland receive a market-leading level of service. Lynsey has been appointed as regional director for sales.

Euan has also been appointed as regional director, and joins as one of the few specialists in construction finance in Scotland. He was particularly attracted to Ultimate as it is the only independent lender able to offer funding into the construction and contractual sector which is completely confidential, in so far as it will not contact client debtors.

Previously Euan was at Bibby Financial Services, and was key to bringing in new business having successfully written multiple and sizable deals with companies in the construction sector.

Ashley welcomes John Leech and Owen Bradbrook

Ashley Business Finance has appointed former MP **John Leech** as business relationships director.

He will liaise with trade and regulatory bodies and represent the company at organisations such as the Asset Based Finance Association and the Financial Conduct Authority.

John has more than 20 years' experience in local and national politics. He was elected to parliament in 2005 as MP for Manchester Withington, and he also acted as the Liberal Democrat transport spokesperson before losing his seat in the recent elections.

He has been responsible for financial scrutiny in a number of his political roles, and he also played a key part in securing the return of the £6.5m lost by The Christie Hospital in the Icelandic banking collapse.

Additionally, Ashley has appointed **Owen Bradbrook** as regional sales director in the Midlands.

Owen, who is based in Wellingborough, has more than 16 years' experience in invoice finance, having worked with both banks and independent providers. Most recently he was regional director with IGF Invoice Finance.

John Leech

Owen Bradbrook

New roles and senior hires as part of Metro Bank expansion

Metro Bank has appointed **Jo Hollins** as senior relationship manager for large loans. The new position has been created in response to overwhelming demand from the intermediary sector for mortgages over the value of £1.5m.

Jo joins from Metro Bank's private banking unit where she spent three years working with high-net-worth clients. In her new role she will be responsible for overseeing high value mortgage enquiries as well as managing business growth strategy in this area and assisting with specialist broker partnerships.

Metro Bank has also appointed two new senior hires to its leadership team as part of its expansion plans.

Ian Walters joins the executive team as managing director of commercial banking, and **Iain Kirkpatrick** joins as managing director of regional banking. Both will report directly to CEO Craig Donaldson.

Joining from RBS, Ian previously held the roles of managing director of business banking and managing director of specialised relationship management within the bank's business and commercial area. He will oversee Metro Bank's growing business and commercial customer base, which represents 44% of the bank's total lending.

Iain will be responsible for overseeing all activity across Metro Bank's London and south east stores. Joining from the UK private bank division at Lloyds Banking Group, Iain has many years of experience. He was previously retail and mortgage director for Lloyds TSB Scotland, and was involved in the running of retail branch networks for Lloyds and Halifax in London and the south east.

P&A recruits Craig Atkinson as director of asset recovery

The P&A Group of Companies plc has hired **Craig Atkinson** as divisional director of asset recovery. With extensive experience in the debt recovery and collections market, he will be responsible for the development of new and existing business opportunities within P&A's field and asset recovery team.

Craig began his career as a solicitor when he qualified in 1999, specialising in commercial law. He joined Richmonds Solicitors in 2002 as an assistant solicitor, subsequently being promoted to associate, head of commercial and finally to partner. He was also responsible for the firm's business development.

Subsequently Craig established and ran his own practice for five years, CA Law. He then went on to work as a consultant for HSR Law where he focused on both commercial work and new business.

Upon joining P&A, Craig said: "Having known and worked with P&A for a number of years I am delighted to now become part of the business. I look forward to building on the success of our asset team, using my experience as a lawyer to help clients manage risk and maximise returns."

Managing director Jeremy Priestley added: "So far 2015 has been a fantastic year for us, and I believe Craig will be a great addition to help carry this success further."

Co-chief executive appointed at Trade Finance Partners

Chris Dailey

Trade Finance Partners has announced the appointment of **Chris Dailey** as co-chief executive, effective immediately.

Chris has worked in the financial services sector for more than 15 years, most recently as chief executive officer of OakNorth, a new challenger bank specialising in providing working capital finance to SMEs.

He has a wealth of experience in growth and expansion, having managed OakNorth through the new bank licensing process and as a key member of the executive team that grew Aldermore Bank from £50m to more than £3bn of assets in four years. Prior to this he held a range of senior roles across Europe for GE Capital.

John Kent, chairman of TFP, commented: "We are delighted to welcome Chris on board as a valuable addition to the executive team. TFP has grown successfully over the last five years and is now ready, under the management of Chris Dailey and Chris Ash, to continue into its next stage of evolution."

Continued on page 18

Continued from page 17

RBS IF strengthens ABL offering with new appointments

Oliver Wilson

RBS Invoice Finance has appointed **Oliver Wilson** as head of asset-based lending for the south west and Wales region.

Oliver has been promoted to his new role from the position of business development director. He will be responsible for driving and leading the RBS ABL proposition and working with SMEs and corporates to structure and deliver ABL facilities across the region.

Based in the bank's Reading office, Oliver will also cover the Gatwick, Solent and Bristol areas, leading a team of three business development directors. Justin Edwards continues in his role, Martin King has recently been promoted, and Richard Preston has also been added to the team. Lauren Couch, also reporting to Oliver, will continue her key role in managing client relations.

Oliver said: "This is an exciting time for the team, as we are now in a position to focus on an integrated ABL offering across the southern region."

Additionally, RBS IF has appointed **Kai Hunter** as business development director. He will be responsible for originating ABL and large receivables finance facilities in co-operation with RBS Commercial and Private Banking, as well as the external market.

Kai joins RBS IF after working for Close Brothers for five years. He brings with him considerable expertise in ABL and leveraged and structured finance, predominantly providing committed revolving credit facilities to corporates in the UK mid-market.

Kai Hunter

Based in the bank's 280 Bishopsgate office in London, Kai will be ideally located to work in collaboration with financial sponsors, debt advisors and RBS relationship management teams.

Murali Subramanian appointed as CEO of FIMBank Group

FIMBank plc has announced the appointment of **Murali Subramanian** as its new chief executive officer.

Murali is a senior banker with a proven track record in developing and executing growth strategies on a global basis.

Prior to joining FIMBank he was executive vice president at Abu Dhabi Commercial Bank for six years, where he held the position of head of transaction banking for the group. His key responsibilities included the management of trade and supply chain growth business, in which capacity he oversaw the growth and return to profitability of the $250m revenue financial institution.

This followed a 21-year career at Citibank and earlier at ABN AMRO, where he occupied various posts in several geographies, ending his career at Citi as managing director, global head of domestic payables. His major achievements at Citibank include playing a significant role in the development of the company's domestic payables capabilities in 105 countries.

Murali holds a Bachelor of Technology in Mechanical Engineering degree from the Indian Institute of Technology, as well as a Masters in Business Administration, Finance and International Business from the Indian Institute of Management.

Dr John C Grech, chairman of the FIMBank Group, said: "We are delighted to announce the appointment of Murali as CEO. His appointment comes at a crucial time for the group. We are confident that he will successfully steer the bank towards the goals we have set, and that under his leadership these will effectively lead to restoring shareholder value."

Murali Subramanian

Simon Lay, who has held the position of acting CEO at the bank since January this year, will be appointed as deputy CEO while maintaining his position as managing director of London Forfaiting Company Ltd.

Neil Smith hired as director at Gordon Brothers Europe

Gordon Brothers Europe has appointed **Neil Smith** as director of valuation and corporate recovery.

Neil joins Simon Bamford and Kimm Smith in the Bristol office, which opened in April this year. He will jointly oversee the growth of the office and is responsible for developing and maintaining business relationships mainly in the south west and Wales region.

With more than 30 years' experience in valuation and asset disposal, Neil is well known among the region's insolvency practitioners, lenders and lawyers.

This year the European valuation and corporate recovery platform has further expanded in response to growing market demands. The team now consists of 15 individuals, and is further supported by the global platform of the Gordon Brothers Group.

Continued on page 20

Continued from page 18

Shawbrook offers additional support for East Anglia area

Shawbrook Bank's commercial mortgages division has appointed **Daryl Norkett** as business development manager, to offer further support for brokers and property professionals across East Anglia.

In his new role Daryl will be working with broker partners to identify opportunities where Shawbrook can help its clients obtain the finance they need to fund property investments, refurbishment projects and purchase premises for their trading businesses.

He will also be working alongside the commercial team to ensure that the process of applying for and completing on commercial loan applications is as smooth and efficient as possible for both brokers and clients.

Daryl joins Shawbrook with nearly five years' experience at Barclays, operating in numerous business banking roles and working with start-ups across the Norwich area. During the last two years he has been managing a portfolio of SMEs in and around Ipswich.

Margaret Willis announced as CEO of Unity Trust Bank

Unity Trust Bank has announced the appointment of **Margaret Willis** as chief executive officer. She joined Unity on 1 June, and succeeds retiring CEO **Richard Wilcox**.

Joining from HSBC, where she was European head of wealth management, Margaret has 37 years' experience in financial services.

Her previous appointments within HSBC include country head of retail banking and wealth management, HSBC Canada. Prior to that she was divisional director of personal financial services, HSBC UK. She was also executive vice-president and regional president, HSBC New York.

Margaret's appointment, and the recent appointment of **Alan Hughes** as chairman, signifies new leadership at the bank. Margaret has committed to develop further Unity's social impact while ensuring sustainable returns for the business.

From left: Tracy Cotton and Janet Banner

Lloyds teams grow to help businesses throughout the UK

Lloyds Bank Commercial Banking has boosted its mid-markets team in East Anglia with two new appointments to support local firms with ambitions to accelerate their growth plans.

Janet Banner has joined as business development director, together with **Tracy Cotton** who joins as business development associate.

They will work with both new and existing clients with annual turnovers of between £25m and £750m, providing banking and tailored funding packages to help businesses access the right support to capitalise on domestic and international growth opportunities.

Chris Jackson

Lloyds has also strengthened its global transaction banking division by appointing **Chris Jackson** as head of cash management and payment sales.

In his new role, Chris will head a 13-strong team responsible for driving delivery of cash management and payment services to firms with a turnover of between £25m and £750m.

He joins from Barclays where he spent nine years, most recently as head of the cash management and liquidity sales team for the non-bank financial institutions sector. He will report to global transaction banking managing director for mid-markets, Kash Ahmad.

Chris said: "The long-term vision and the direction that Lloyds is travelling in really excites me. There is a strong commitment to getting to know clients more closely, putting their needs first and really supporting them to grow in every way we can, and I'm looking forward to driving that approach through everything we do."

In addition, Lloyds has bolstered its Southampton team with four new senior hires.

Alison Trant and **Mike Morgan** both join as relationship directors, **Jeremy Richards** joins as head of business development, and **Liam Madigan** joins as associate relationship Manager. All four will play a leading role in delivering financial solutions to new and existing customers across the Solent region.

Having previously worked for HSBC, RBS and Grant Thornton, Jeremy brings decades of experience in banking and corporate finance origination to businesses across the south coast.

Mike joins the team from Barclays, bringing with him nearly 20 years' experience in banking, working with a portfolio of clients across the region from publicly listed companies to family enterprises.

Alison returns to the bank after spending 10 years in commercial and corporate banking roles for RBS in the south. Liam, meanwhile, was at RBS for eight years, where he became an assistant manager specialising in corporate banking throughout the Solent area.

SMEs in search of skilled staff

Results from a new survey commissioned by HSBC

More than half of UK SMEs plan to take on new staff during the next 12 months, and even more expect their turnover to grow, according to a new study commissioned by HSBC.

Ipsos MORI surveyed more than 1,000 SMEs across the UK, the majority of which have been trading for more than 10 years and have an annual turnover of £8m or more.

The HSBC UK SME Survey found broad optimism about growth and a desire to recruit skilled, permanent staff to support increased activity.

More than half of SMEs – 54% – expect to hire staff during the coming year, with the same proportion believing that permanent, skilled staff will benefit the growth of their firm more than agency or casual staff.

Of the businesses surveyed, 57% expect turnover growth during the next 12 months, with more than a third expecting at least 6% growth. SMEs in manufacturing were most optimistic, with 63% expecting turnover growth of some kind, followed by those in consumer and retail at 57%.

Ian Stuart

Key findings

- Turnover growth of more than 20% is expected during the next year by one in 10 SMEs.
- Only 14% of the small businesses surveyed expect turnover to fall in the coming year.
- In total, 54% of SMEs expect to take on permanent skilled employees during the next 12 months. At the same time, 37% are looking to recruit professionally qualified employees, 34% want to take on an apprentice or trainee, and 27% expect to hire unskilled or semi-skilled staff. Only 12% are looking for casual employees, while 9% will be seeking agency staff to assist them. The numbers add up to more than 100% as each respondent was able to pick multiple answers.
- Among various concerns affecting SMEs, finding customers was deemed to be the most pressing by 21% of respondents, followed by the availability of skilled staff (14%) and issues connected with regulation (14%). Also, 12% of SMEs were concerned about competition.
- Maintaining staff pay rises is a pressing issue for smaller SMEs, while labour and/ or production costs are greater concerns for medium-sized enterprises.

Ian Stuart, HSBC's UK head of commercial banking, said: "This survey shows that SMEs across Britain are not only positive about growth, they want to hire full-time staff to help them grow. Hiring and training skilled staff takes investment, which is why we have committed £8bn to lend to SMEs this year."

www.hsbc.com

Sharp rise in Scottish job placements

Scottish recruitment consultancies saw the fastest rise in permanent staff placements for three months during June, as signalled by the latest Bank of Scotland Report on Jobs.

Growth of temp billings was also quicker than in May, as demand for staff among businesses north of the border strengthened.

Also, shortages of available candidates placed further upward pressure on staff pay, with permanent starting salaries increasing at a sharp and accelerated rate.

The headline Bank of Scotland Labour Market Barometer registered a three-month high of 59.7 in June, indicating a further marked improvement in the overall health of Scotland's job market. The barometer was broadly in line with its average over 2015 so far, though just below the equivalent index for the UK as a whole.

By region, growth in permanent placements and temp billings was led by Glasgow and Edinburgh respectively, while Aberdeen was the only region where declines were recorded. Permanent and temporary candidate availability both decreased fastest in Edinburgh, while Aberdeen saw improvements on both fronts.

Demand for permanent staff rose fastest in the IT and computing sector, followed by nursing/medical/ care. Temporary vacancies rose in six of the eight categories monitored by the survey, led by engineering and construction.

www.bankofscotland.co.uk

BLME the Bank for the UK Mid-Market

INTRODUCTION BY JERVIS RHODES

BLME now has a balance sheet in excess of £1.3 billion and Corporate Banking has continued to develop a full service offering for the UK mid-market providing financing facilities of £1 million to £25 million.

We have established teams covering the following product areas:

- Leasing
- Property Finance
- Trade Finance
- ABL Finance
- Acquisition Finance
- Corporate and Structured Finance
- Syndications

Our approach remains different from other Banks:

- With our offices in London and Manchester, we are able to service regional clients and provide a responsive decision making process.
- There are no business development executives; the same executives handle transactions from origination through documentation to repayment.
- Our facilities tend to be tailored since we operate within broad guidelines.

Our clients are UK mid-market corporates who generally have a minimum operating profit of £1 million. Our customers operate across a variety of business sectors although we have particular experience in Property, Transport, Healthcare and Energy.

We are actively seeking new business and have a growing number of clients ranging from FTSE 250 companies to small privately owned businesses.

We look forward to serving the UK mid market companies seeking a pro active banking relationship.

Jervis Rhodes
Head of Corporate Banking
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Dealing with international double jeopardy

Insight from **Cara Dowling** and **Anita Esslinger** of global law firm Bryan Cave

Companies and groups involved in cross-border business will find that their conduct is subject to laws of multiple jurisdictions. This includes laws of countries in which they are incorporated and/or have operations, as well as laws of countries with extra-territorial effect for overseas conduct. The UK Bribery Act and US Foreign Corrupt Practices Act are two prime examples of the latter.

Cara Dowling

Anita Esslinger

Therefore a company accused of criminal misconduct might find itself facing parallel or successive investigations by more than one country. Indeed, this increasingly seems to be the norm for international corporate crime, possibly due in part to the significant co-operation between international enforcement agencies nowadays.

This raises the question of whether, or to what extent, a company can be protected from multiple prosecutions for the same conduct by the rule of international double jeopardy.

The rule of double jeopardy provides that no person should be twice put in jeopardy of being convicted and punished for the same offence. This rule is enshrined in criminal laws of many countries; however, there is no universal acceptance of an equivalent international rule, i.e. prohibiting prosecution of the same misconduct in multiple jurisdictions. Absent a treaty, as with EU states, each country is entitled to decide whether it can or will prosecute conduct which has already been prosecuted elsewhere.

Not all countries recognise the rule of international double jeopardy. The risk, therefore, of multiple enforcement actions will be affected by the countries involved and, clearly, the effect of the rule will be something a company must consider when deciding whether, when and where to self-report misconduct.

The US is among those countries that do not recognise the international rule, notwithstanding that it does recognise double jeopardy at a national level. The US is an important dissenter, given how active it is in prosecuting extra-territorial corporate crime and the significant criminal and civil sanctions it imposes on those found guilty.

> "Companies must be alive to the burden of multiple investigations"

By contrast, the UK and many European states do recognise the rule and will decline to prosecute, or sometimes even investigate, misconduct which has previously been prosecuted in another jurisdiction. Guidance by the UK's Serious Fraud Office explains that the rule might arise where the essence of a criminal offence in England and Wales is the same as an offence for which the defendant already faces trial, or has been acquitted or convicted. It will therefore largely be a question of fact. There are, however, certain exceptions to the rule – including if, notwithstanding conviction, a defendant is not at real risk of punishment in the other jurisdiction.

Some commentators have criticised the rule of international double jeopardy, saying it could encourage forum shopping by defendants which may result in undesirable outcomes. For example, courts might be prevented from dealing with misconduct within their jurisdiction in spite of there being a genuine public interest in their doing so. Countries that recognise the rule are understandably concerned to ensure that the jurisdiction of their courts is not unjustly ousted.

Therefore, when cross-border misconduct is discovered, competing jurisdictional claims can arise as to which country has primacy to prosecute. There is no international law for determining primacy, so this will be a matter for negotiation by those involved. This can be a politically-charged issue, and one not always

> "When cross-border misconduct is discovered, competing jurisdictional claims can arise"

resolved to everyone's satisfaction. Indeed, some commentators have expressed concern about the process and called for greater transparency.

An Argentinian court recently took an interesting approach to this issue when considering the impact of a prior German prosecution on a subsequent prosecution being pursued in Argentina. In deciding the issue, the Argentinian court considered not only whether the same conduct was in issue, but also the purpose served by the criminal laws and prosecutions in each jurisdiction. It distinguished between private interests served by the German prosecution and public interests served by the Argentinian prosecution, and allowed the case to proceed. It remains to be seen whether other jurisdictions will consider a similar approach as a means of ensuring the public interest is served at a national level.

The reality of corporate offences, however, is that successful prosecution and/or recovery of any penalty imposed will often only be possible in the jurisdiction where the company is incorporated and/or assets are located. Therefore, this too will be a factor considered by countries investigating misconduct, as well as by companies deciding how to deal with misconduct.

Finally, despite possible protections that the rule of international double jeopardy might offer, companies must be alive to the burden of multiple investigations, even if prosecution does not follow. This too must factor in the decision-making process.

As always, however, prevention is better than cure, and well-advised companies will ensure from the outset that they have in place adequate compliance programmes designed to address the risks of doing business across multiple jurisdictions and under multiple laws.

Cara Dowling, solicitor-advocate, London, and Anita Esslinger, partner, Washington DC, Bryan Cave
www.bryancave.com

Shining a light

Simon Carter, director of Touch Financial, looks at the rise of fintech and what can be learnt from its approach

Fintech, the alternative funding market, is now growing on a massive scale, and the evidence is there for those who choose to look. Indeed, a recent report shows that the total amount lent in 2014 more than doubled compared with the previous year – up from £666m to more than £1.74bn.

While this is a mere fraction of the total advanced in the traditional space – £18.9bn according to latest figures from the Asset Based Finance Association – this new kid on the block is fast growing out of short trousers and becoming established as a mainstream player.

Figures from Touch Financial lend further support to the fintech growth story. In 2014, the total percentage of deals completed with fintech providers grew to about 10% from a position of less than 1% the previous year. For those who suggested that fintech may be just a flash in the plan, it seems they were wrong and that the alternative market is here to stay.

But that's not to say that there aren't still concerns. Fintech businesses have been clever. They have looked at the traditional market, recognised its value and importance, and then looked at ways in which it could be improved. Partly this has been through the development of new technology platforms that simplify the product and its delivery, and partly through finding new ways of accessing cash, such as peer-to-peer.

They have also been clever in creating new channels to market, understanding a company's pressure points and capitalising on them, as in the recent tie-up between Sage and MarketInvoice and Funding Circle.

These alternative providers have never been exposed to the same levels of risk as their traditional partners, and appear to portray less fear and a different mindset. To some this may appear cavalier, but those who thought that the alternative model – and especially peer-to-peer – would soon be found wanting and implode, have not been proven right, at least not yet. Yes, fintech firms may still trip over but they have shown the way. What the traditional players must do now is respond, and respond positively.

What is good about the rise of fintech is that it has once again shone a spotlight on the invoice finance sector. Fintech firms have taken something that has always been good and made it better and – dare I say it – sexier.

The media like shiny new things to write about, and fintech has provided the ideal subject matter: bright young things delivering the funding to other bright young things while the rest of us stand by the sidelines and admire. But looking at this in another way, fintech provides the traditional lenders with the perfect opportunity to respond. It is the mainstream banks that have the infrastructure, the customer base and – most importantly – the experience to adapt their current thinking, streamline their service and grow the market still further. Far from being a threat to the traditional players, it represents them with a whole new opportunity to reinvent themselves and the industry.

Banks are still the first port of call for 78% of SMEs seeking finance. They have not, as yet, lost faith. Now what the banks must do is rise to the challenge.

Simon Carter, director, Touch Financial
www.touchfinancial.co.uk

The advantages of UK rail freight

Amy Ponsford reports

Amy Ponsford

Across the UK, rail freight contributes a net £870m to the economy and plays a huge part in reducing congestion and carbon emissions; in short, it is vital to Britain's success.

It provides a faster, greener and safer way of transporting our daily consumables and, in so doing contributes to UK economic output to the tune of £5.9bn. With this in mind, it is clearly an essential tool in accelerating the recovery. The network is now being enhanced to carry more traffic and thus make it more efficient and more competitive.

Demand for rail freight is growing and is projected to expand by a further 30% during the next decade, creating an estimated further £299m in profit. The new Conservative government says it is going to make rail freight a priority. It plans extra freight capacity on the railways that could save 500,000 tonnes of carbon dioxide emissions each year, equivalent to 200 haulage trucks an hour. Currently, on average, a gallon of fuel will move a tonne of goods over 246 miles on rail compared to only 88 miles by truck. Each freight train in operation takes 60 HGVs off the road.

Rail presently has an 11% market share in freight transport, but has a 25% market share at the major UK ports; this percentage will rise as the network is enhanced.

> **"It benefits firms seeking ways of reducing their impact on the environment"**

Ports have invested in new infrastructure to cater for rail freight, while the freight operators have won new business and added bigger trains to the timetable, moving container boxes onwards from the ports in bulk. Containers have now become the biggest freight commodity on rail.

Rail freight benefits many other sectors. It transports the major share of the coal that supplies more than 25% of electricity in the UK, and London alone receives 40% of its required raw construction materials via this mode of transportation. It keeps timescales on target and costs low. In addition to hauling bulk raw and finished materials into our cities, rail also removes most of our domestic waste.

> **"More than £25bn of investment is planned between now and 2019"**

The timely delivery of materials and products is a critical element of running any business, and many UK firms are converting to rail freight due to its low track prices, low fuel prices per tonne carried and reliability in terms of both delivery time and goods arriving secure and undamaged. Among those opting for this method of transport are Tesco, Asda and Sainsbury's, and the benefits filter down to the consumer via reduced prices of food and drink and other goods.

In addition, it benefits firms seeking ways of reducing their impact on the environment. Tesco, for example, estimates that it saves 2,909 tonnes of CO_2 each year by employing rail freight.

There are challenges ahead with regard to keeping the rail network safe and reliable for passengers and freight services, while increasing capability and continually improving performance.

With demand for freight and passenger services increasing exponentially and with the rail system already close to capacity, greater investment and smarter working methods will be essential. More than £25bn of investment is planned between now and 2019 with the aim of upgrading and enhancing the UK rail network. Key freight schemes for the future include the following:

- Southampton to West Coast Main, enhanced line capacity.
- Great Western Main Line, gauge enhancement.
- Felixstowe to Nuneaton Phase 2.
- West Coast Main Line, North of Preston, enhanced capacity.

Service improvements are key to the future of rail as ever more businesses re-examine their current freight operations to get the best value. As a result, the rail industry is using established and new partnerships to facilitate a successful and prosperous future.

Amy Ponsford

Summertime sales boom

A summary of the British Retail Consortium's latest research findings from director general **Helen Dickinson**


Helen Dickinson

June was a strong month for the UK retail industry; it experienced its best overall sales growth in 18 months, excluding Easter distortions, albeit on the back of a weak June last year.

The Retail Sales Monitor report for June 2015, compiled jointly by the British Retail Consortium and KPMG, shows that sales increased by 1.8% on a like-for-like basis from June 2014, when they had decreased by 0.8% on the preceding year. On a total basis, sales were up by 2.9% against a 0.6% rise during June last year.

This is the highest growth since January 2014, and compares with a 12-month average of 1.6%. Adjusted for the BRC-Nielsen Shop Price Index deflation, total growth was 4.2%.

Total food sales grew for the seventh month in a row, ahead of their 0.3% decline over the last 12 months. June also brought with it a boost for the non-food categories, with furniture doing particularly well. Total non-food sales grew by 2.6% during the three months to June, close to their 12-month average growth of 3.1%.

Toys and baby equipment was the best-performing category, helped by outdoor toys, particularly in the last week of the month when the heatwave stimulated sales of all seasonal items. Fashion sales were up too, but this was likely helped by several retailers going into summer sales a little earlier than last year.

We saw welcome signs of growing consumer confidence, with people more willing to trade up and spend a bit more on big-ticket purchases, likely boosted by the growth in the supply of credit and other factors such as low inflation and rising real incomes.

Some of the measures outlined by the chancellor in his budget are likely to help boost consumer confidence even further, with measures like the continued freeze in fuel duty and the increased personal tax allowance ensuring consumers have more money in their pockets to spend.

The BRC also welcomes the chancellor's focus on increasing productivity. This is of crucial importance to enhancing retailers' ability to continue improving the service they offer to customers.

Online

The BRC-KPMG Online Retail Sales Monitor for June 2015 reveals that online sales of non-food products in the UK grew by 17.6% versus a year earlier, when there was a rise of 10.6% over the previous year.

This is the best online performance since August 2014, largely driven by fashion promotions, and outperforms the three-month and 12-month averages of 14.6% and 12.6% respectively.

As ever, websites are popular during the sales, providing greater clarity of stock availability for consumers. For retailers, online is an increasingly useful tool to reach customers selectively and showcase their offer.

In June 2015, online sales represented 18.4% of total non-food sales against 16.9% in June 2014, the highest penetration rate since January. Online growth in the clothing and footwear categories ranked among the top three in June, while toys and baby equipment also had a successful month, reporting their fastest online growth since January.

Online sales contributed 2.1 percentage points to the growth of non-food total sales in June. Compared to stores, online now consistently contributes more to three-month average non-food sales growth; indeed, during the three months to June 2015, its contribution reached its highest proportion since December 2013. This highlights the variety of digitally-focused roles in the retail industry. It also shows the increasing demand for skilled people to develop sophisticated online operations and a seamless connection between physical and digital space."

Focus on Scotland

In June 2015, total Scottish retail sales decreased by 1.7% compared with June 2014, when they had decreased by 1.1%. This is among the key findings of the new SRC-KPMG Scottish Retail Sales Monitor.

Like-for-like sales decreased by 2.2% on June last year, when they had decreased by 2.6%. Adjusted for deflation measured by the BRC-Nielsen Shop Price Index, total Scottish sales decreased by 0.4%.

Total food sales were 2.2% down on June 2014, when they had decreased 1.4%. Adjusted for the estimated effect of online sales in Scotland, total non-food sales increased by 0.8% against June 2014, when they had increased by 0.5%. This is the fastest online adjusted non-food growth since November. Three-month average total non-food sales decreased by 0.2%.

Helen Dickinson, director general,
British Retail Consortium
www.brc.org.uk

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Still much to think about

Chris Lee reflects


Chris Lee

I remember reading many years ago historical articles about the allied troops swarming ashore and up the Normandy beaches. It would seem in those days readers could focus on the true meaning of descriptive words within the context that they were uttered.

Sadly this is no longer the case as the PC brigade pounce at every opportunity to belittle the use of the English language, as they seem incapable of seeing beyond the single word. I do not often feel sorry for David Cameron, but what nonsense it is to belittle him for using the word "swarm" when describing the ever-increasing flow of immigrants attempting to gain illegal entry into our country, rather than focus on the seriousness of the problem to which his words related. We come across this stupidity in everyday life when critics pick people up on what some would call careless use of words, all under the banner of political correctness, rather than focusing on the intended meaning.

Chart 1: FTSE

Chart 2: GBP

The immigrant problem is becoming a matter of increasing concern, as we seem no nearer controlling the flow and it is getting worse. The fact is that we have a reputation for being more accommodating than most of our EU colleagues and this, plus the strength of the UK's economic revival, is fuelling the problem. It needs to be addressed more robustly at source; after all, they do have to get all the way across Europe to reach Calais. This is one area where being in the EU should have real value, as we all have a common problem that needs solving. There should be no country preference because all immigrants should receive the same treatment no matter where they are, and they should not choose which country should accommodate them, but be taken to the country that can best accommodate them. Sadly, it strikes me that when the EU has a real problem to deal with it is found wanting.

So, in July Greece was bailed out at the last minute of the last hour and they acquired a reprieve based on promises of further austerity which the Greek government had rejected all along, requiring them to eat humble pie in large quantities. The creditors simply did not, and probably do not, believe Greece will honour the commitments they have made. Some changes such as VAT increases have been imposed, but much of what is required is structural in terms of taxation and pension reform which will be more difficult to deliver.

Central to the rescue package was the support for the banking sector through a €25bn credit facility, which has yet to be consummated and yet is central to the country's ability to function on a day-to-day basis. Some of the measures now introduced by the Greek government could of course have been implemented before to demonstrate commitment and create confidence among the creditors, and possibly to provide a platform for a more conciliatory rescue package.

The markets

Equities (See chart 1)

The downtrend referred to last month has continued as a gentle drift southwards rather

Chart 3: USD

Chart 4: EURO

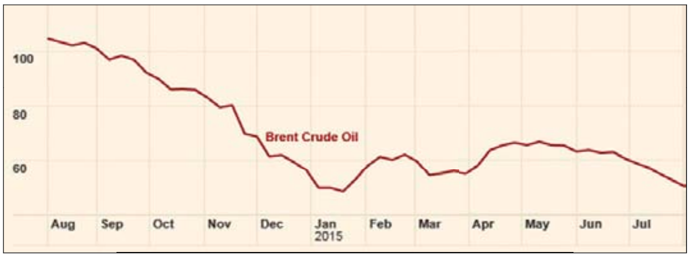

Chart 5: Oil

Chart 6: Gold

than any kind of collapse. In general terms it reflects a rather slower UK economic performance in the last few months.

The economic recovery is still very much on track but clearly the early pre-election froth has evaporated and a sense of waiting to see just how much of an economic follow through can be achieved seems to have taken over.

Currencies

GBP (See chart 2)

Sterling has retained its overall strength against the euro and the yen, but has continued to move sideways against the USD which maintains its own strength across the board.

USD (See chart 3)

The USD continues to track sideways but with an underlying strength based on the expectation of higher interest rates as the economy continues to recover.

EURO (See chart 4)

The euro remains stalled as the Greek problem has been put on ice and the market waits to see whether a sustainable solution to their demise can be implemented and if so what that will mean for the currency, as it will not be without further cost.

Commodities

Oil (See chart 5)

The oil price is still weak, and with few likely developments until the autumn this would seem set to continue.

Gold (See chart 6)

Gold has sunk to new depths and it is difficult to see what will prompt a recovery as the 1,000 level comes into view.

Conclusion

It appears that at least some of the promises made going into the election by the Tories were in fact window dressing and may not actually happen at all. They must hope that these are forgotten by the time the next election comes around, although that seems unlikely.

Fortunately for them the Labour Party remains in disarray and lurches ever more to the left, embracing unelectable policies, which makes you wonder just how viable they will ultimately turn out to be as an opposition. The SNP remains a real threat to the union, although they seem to be more engrossed in fighting with Labour than actually providing a structured opposition to the party in power.

I sense devolution will become a central issue during this parliament and will manifest itself in a way that perhaps Nicola Sturgeon does not envisage. The SNP has prodded the English lion but has yet to hear its own nationalist roar. It may be slow to stir, but stir it will, and there will be a backlash from those who, far from believing the Scots are hard done by, believe they get far too much already!

Meanwhile the government is facing real challenges in terms of immigration, the NHS and cutting public spending. There is also the threat of ISIS and the commitment the UK is making for military action to counter this, which is not popular with the British public. If we then throw in Vladimir Putin and the ongoing conflict in the Ukraine, I think David Cameron has plenty to keep him awake at night.

Chris Lee
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The three-to-one ratio

NACFB CEO **Adam Tyler** examines the complexities surrounding the relationships between brokers, clients and lenders


Adam Tyler

Is it fair that a broker should be surgically removed from the middle of a client-lender relationship? The NACFB promises small businesses that we will find them the right broker and that the broker will find them the best funder. Once that process is under way, though, we step back and watch.

However, we won't get to see any future business that cuts our members out of the loop. Should a broker get credit for subsequent lending that's arranged directly between lender and client without the broker's involvement? It's an important question because, on the one hand, that relationship may never have been made without the broker's introduction; yet, on the other hand, the broker hasn't done any work for the second referral, and we like to retain some sort of link between work done and commission being paid, hence the recent debates about refundable arrangement fees.

Imagine a broker who finds a client wanting to take a commercial loan. The broker explains what the lenders will want, gets the loan approved with the lender, and issues the offer to the customer.

However, the client isn't sure this is the best possible deal, so he finds another broker. It's entirely possible that the second broker will get in touch with the same lender, and the more niche the requirement, the more likely that is to happen. And we do get some fairly niche enquiries – funding for an elephant machine, for example, or for an ultrasonic disinfector, or for a gas supply licence.

> “Not even an online platform can deal with the full range of enquiries that get through”

In a scenario where the same lender is contacted both times, some lenders will contact the original broker and say they have had another broker approach them – and that the lender is issuing dual acceptance. Whichever broker gets the papers in first will get the deal – it's a race to the bottom.

One thing the NACFB does want to guard against is brokers being played off each other. But if a client does find a second broker to compete with the first, the client will find his/her mistrust rewarded with the cheaper of two deals, added to which this scenario puts pressure on brokers to accept uncommercial commissions.

A simple outcome for the scenario under discussion is that when a broker introduces a customer to a lender, the lender should consider linking that broker to the customer and rejecting deals for that customer from other brokers. However, the focus of the FCA is more on getting a fair deal for consumers, and this type of language tends to undervalue the role of advice and to overvalue one-off payments.

Every day we receive approaches from SMEs looking for funding – some of them niche enquiries like the three I touched on earlier. These approaches pass through several filters and, at each filter, between one third and two thirds of all requests can be eliminated because the businesses are simply calling to chat about their options. They are looking for a friendly and helpful voice in a world where the answer to every other question is: “Go online.” Unfortunately we have to tell them to go online anyway, because with a membership in excess of 1,300, it takes a long mathematical equation to decide which broker is best for a particular job.

Either way, if a lender fields those calls, they will not register a high completion rate. Not even an online platform can deal with the full range of enquiries that get through; more than one such platform actually sifts out the leads it wants and redirects the rejected applications to the NACFB so we can reallocate them. These are applications that don't fit the specific criteria of that lender, but it doesn't mean they are bad or even necessarily high-risk.

This way, brokers are still involved – it's just that we've shuffled the order of process. What we want to get across to SMEs is that if you foster a good relationship with your local broker, you've got both advice and funding on tap – and from the broker's perspective, just because a lead goes nowhere, it does not always follow that the source of the lead is not worth cultivating. Ultimately, the old adage that it costs three times as much to gain a new client as it does to retain an existing one also applies to some extent with these links between brokers, clients and lenders.

Adam Tyler, CEO, NACFB
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Revolutionising the industry

As Britain's first new High Street bank in over 100 years, you would expect to see innovative new ideas from **Metro Bank** and 2015 has certainly not disappointed.

> "We are leading the way when it comes to addressing the issues facing small businesses today and challenge the traditional banks to follow"

Transforming invoice finance fees

For example, this year Metro Bank Asset and Invoice Finance announced that it had taken the step of abolishing both value dating and termination fees, providing customers with immediate and significant savings.

The ground-breaking contract provides customers with certainty of funding for a 12 month term, whilst simultaneously allowing them to give only 28 days' notice should they wish to leave early, without incurring any termination fees.

Richard Saulet

Richard Saulet, Director of Metro Bank Asset and Invoice Finance, said: "These changes demonstrate our commitment to providing clear and fair fees in a market where this has not always been the case. By eliminating value days, our customers will benefit from a substantial saving instantly. By effectively killing termination fees, Metro Bank is making a substantial and long term commitment to the market."

Introducing the new Small Business Offering

As the entrepreneur's bank, Metro Bank is committed to help fledgling businesses grow with the launch of its Small Business Offering, with higher funding lines, no set up fees or minimum charges and substantial cash back after a year.

Richard Saulet commented: "We have listened carefully to what business owners and entrepreneurs want and have responded by shaping our products and services to meet the needs of this incredibly hardworking business sector. We believe that banks have a responsibility to ensure fairness and transparency and to provide an environment that rewards, rather than restricts, growth.

"Every business customer should have fair service contracts that work for them – not against them. We believe that small business customers should pay just one clear, simple and transparent fee, so we have abolished set up fees and minimum fees. We also acknowledge that running a fledgling business is financially tough and our new cashback offer recognises this. These changes are in addition to the removal of termination fees and value dating from all new contracts. We are leading the way when it comes to addressing the issues facing small businesses today and challenge the traditional banks to follow."

New Asset Finance Broker Programme

In 2015, Metro Bank is going even further to reward and support its asset finance broker partners. The recently launched Asset Finance Broker Partner Programme recognises individual broker aspirations – helping introducers to develop and grow, generate more business and gain valuable customers.

The programme provides three partnership levels with a variety of incentives and support services. All partners in this exciting new programme receive ready-to-use quarterly marketing campaigns, designed to help drive their businesses forward.

In the last 12 months, Metro Bank has continued to truly challenge accepted market rules and industry norms with a refreshing fervour and unrelenting commitment.

This has never been about introducing 'change for change's sake' but has always had the customers' interests at the heart of every proposition. Now, that's the kind of cause that sparks revolutions.

METRO BANK

Meet the Invoice Finance team

Invoice Finance sales team (South)

Invoice Finance sales team (North & Midlands)

"It's fantastic that clients tell us that they love what we do. There's a genuine passion running through the team here and there's nothing we love more than getting involved in the lives of the businesses we work with and supporting them to achieve their ambitions. It's our mission to revolutionise the markets we compete in."

John Nelson, Head of Invoice Finance

John Nelson

John is Head of Invoice Finance. He has a 15 year distinguished career in the Asset Based Lending industry, successfully leading teams at Lloyds Commercial Finance, GE Capital and The Royal Bank of Scotland. Prior to that time, John completed 13 years at Lloyds Bank in branch, SME and Commercial lending roles.

"It's our mission to revolutionise the markets we compete in"

"At Metro Bank, we really do have a distinctive approach. Not only is this reflected in our service but also the strength of our client value propositions. We always strive to make our proposition fit the client rather than the client fit the product. This year we have led the field by eliminating termination fees and by scrapping value dating. We have also launched a Small Business Offering, which drives value for fledgling businesses embarking on growth."

James Scarborough, Regional Sales Director (Midlands & North)

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METRO BANK

Meet the Asset Finance team

Asset Finance sales team

"We are challenging the norm and redefining broker relationships"

"This is an incredibly exciting time for Metro Bank's Asset Finance team. The amazing levels of service we provide to both our broker partners and our customers really differentiate us in the market. I have received resoundingly positive feedback from business introducers on our Asset Finance Broker Partner Programme. We are challenging the norm and redefining broker relationships, giving access to credit partners for joint meetings and deal support. We are also gaining traction in a number of vertical sectors, including healthcare, hospitality, retail, construction, haulage and logistics. With the incredible support of the growing stores network and a strong and seamless working relationship with the commercial lending team, we are growing from strength to strength. We have aggressive growth aspirations to take the book to £500m by end of 2017 and have hit a milestone of three successive record months. All of our KPIs show that we are heading in the right direction."

Nathan Mollett, Head of Asset Finance

Nathan Mollett

Nathan is responsible for building and growing the asset finance business by driving key broker relationships and business development activities. He comes to Metro Bank with a wealth of asset finance experience following 16 years at Syscap.

What our clients have to say

"The people at Metro Bank Asset and Invoice Finance are excellent and very professional. I never have to spell things out and they even go one step further and anticipate my needs. This proactive approach makes them a finance partner that's very easy to deal with and that we know we can depend upon throughout our planned growth."

Toby Hobson, Managing Director,
The Civilised Car Hire Company

"In addition to the asset finance facility itself, Metro Bank Asset and Invoice Finance provides a level of personal service that you simply don't get elsewhere. Having the consistent individual support and a strong relationship with our finance partners is important to us, particularly as we grow and I have to say that they are incredibly easy to deal with. I'm a real fan of Metro Bank and wouldn't hesitate to recommend them."

Chris Evans, Managing Director,
Hoist and Plant Hire Limited

Nathan Mollet
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METRO BANK

Delivering a real difference

We have established that **Metro Bank** is breaking new ground. But what does that mean to its expanding portfolio of clients? We spoke with two very different businesses, both on a steep growth trajectory. Completely unprompted, their directors were united in describing Metro Bank Asset and Invoice Finance as a 'breath of fresh air". This is no mere coincidence as the case studies below reveal.

Power to the people

The Peopleline Group

The Peopleline Group is an established multi-sector recruitment business and training services provider.

During its first year of trading in 2012, the enterprise had already grown into a multi-million pound turnover business. Three years on, due to continued organic growth and strategic acquisition, the business had hit the ceiling of its facility and found itself at a crossroads with its previous funder.

Following rapid expansion, the business required a significant and immediate injection of working capital to meet the influx of new orders.

The directors actively sought a lender that would not only be able to provide a higher availability of funding for the increasing order book but would also match its entrepreneurial approach.

Metro Bank structured and delivered a £1,500,000 transaction to fund the increasing working capital requirement. From sanction to take-on took just three days and Peopleline could immediately see the Metro Bank difference, as Richard Chandler, Director at Peopleline explained: "Metro Bank Asset and Invoice Finance are a breath of fresh air. The speed and service delivery has been absolutely faultless. They have exceeded all my expectations and their passion for business shines through everything they say and do.

"Metro Bank showed they have a real appetite for business and demonstrated very early on in the process that they wanted to work with us. All of the people we have spoken to at Metro Bank Asset and Invoice Finance have been very proactive and knowledgeable and they worked to gain a full understanding of our requirements before delivering the flexible source of finance that a growing business like ours demands."

A strong platform for growth

The AC Group has expanded to become the eminent flooring subcontractor in the UK, with extensive portfolio of accomplished projects, including the Shard, the Connaught, University of Hertfordshire, Gatwick Airport, Holland & Green, Bodleian Library and Hyatt Agency.

From just 7 employees, the group has grown to employ 100 employed staff and 450 subcontractors. Founded in 1987 by CEO Andrew Laing, the drive to grow and improve has been an ever-present facet of the business' culture since its inception.

The turnover of the business had grown from £22m to £33.5m in just 12 months and the CEO was looking to switch banking relationships to provide a bespoke facility that would create the headroom and flexibility to drive further expansion.

By working together with the Metro Bank Commercial team, John Nelson worked to structure a multi-million pound revolving business development loan and cash flow facility around the objectives of the business to provide the necessary working capital for growth.

Andrew Laing, CEO, comments: "Metro Bank is an absolute breath of fresh air. This is modern, professional banking, working exactly as it is designed to work. They always do precisely what they promise, without any of the bureaucracy typically associated with banking. They were interested to understand the business to learn how they could support us financially and add value, helping us to achieve our full potential. The future is bright and it is very exciting to be part of it."

METRO BANK

Carry on exporting

Credit insurance company Atradius calls on British firms to continue trading internationally in order to achieve business growth

Trade credit insurer Atradius is urging UK businesses to commit further resources and investment to exporting in spite of a low level of growth so far in 2015.

According to the latest overseas trade statistics from HM Revenue & Customs, although exports to the US and China were up, the value of UK exports decreased to £26.4bn in April compared to the previous month.

Survey results from the Confederation of British Industry released at the start of July show that exporters face real challenges, especially from the impact of a stronger pound against the euro and a still-weak global exports market. However, the CBI expects growth to pick up during the rest of the year.

Marc Jones, head of sales at Atradius, commented: "The UK has sadly lagged behind the European average for export growth, and also carries a negative balance of trade.

"Boosting export growth will have the dual benefits of improving both the economic environment and the investment environment. This will lead to more jobs and output and also increase the exporters' own individual market and growth potential.

"Against a challenging geopolitical environment, export opportunities still remain across Europe and the Americas and also in Asia, where there has arguably been the greatest increase in opportunity.

"As individual economies recover further, exporters shipping successfully now will be in pole position once full global economic recovery returns."

To increase their export potential, Atradius suggests that companies need partners to assist them in overcoming trading hurdles.

Marc added: "Accurate information helps to make credit sale opportunities clear and transparent, allowing exporters to deliver a competitive proposition to their customers at a time when credit demands on them are increasing.

"In the UK we have some very successful exporting industries and a reputation that keeps British goods in demand – people want to do business with us, which means that the door is already open. Machinery and transport are two key examples of success, with more than 40% of all UK exports shipped from these sectors.

"Manufacturing is also significant at just under 24%, and chemicals and chemical products also have a strong export portfolio. These sectors are seen as hugely desirable, particularly in the US and Asia. The export of luxury and niche goods, bespoke technical services and educational services is also growing rapidly."

www.atradius.co.uk

Global manufacturer set to boost UK operations

Guhring, a German-owned manufacturer of precision cutting tools, will be the second foreign investor to locate to the Advanced Manufacturing Hub in Aston, Birmingham.

The £12m investment will enable the firm – which supplies global brands including BMW, Ford, JLR, Nissan, Airbus and BAE Systems – to create 50 new jobs and safeguard a further 75.

The AMH will provide space for the business to expand its presence in the UK. After 17 years at Abingdon, in Oxfordshire, Guhring moved to a central warehouse facility in Castle Bromwich, Birmingham, in 1990. Since then it has expanded significantly, and the firm's new facility will enable it to grow even further by accommodating R&D and a full manufacturing process.

Managing director Mike Dinsdale said: "This move will be a huge step forward for our UK business. Now we will be able to design, develop and manufacture cutting tools specific to our customers' needs in Britain for the first time. We are aiming to treble in size and double our workforce within five years of moving to the AMH."

Guhring has taken 3.5 acres to build a 60,000 sq ft facility, with further space for expansion available. The site was acquired from Birmingham City Council and the Homes and Communities Agency. The deal was secured by Savills, which acted on behalf of the landowners.

To complete the move, Guhring has received a £650,000 grant from the government's Advanced Manufacturing Supply Chain Initiative West Midlands and Liverpool City Region fund, made available through Finance Birmingham.

www.guhring.co.uk

All-asset finance 2015

The annual **Business Money** report

ABN AMRO Commercial Finance

Management team

Peter Ewen – managing director
Steve Websdale – director, corporate clients
Alison Small – director, business development
Michael O'Loughlin – director, client services and asset management
Paul Lablans – director, risk
Gary Hurry – director, marketing
Suzanne Lindsey – head of finance
Richard Miller – head of human resources
Ian Burman – sales director, south
Debbie Bell – sales director, north
Rick Owens – sales director, London
Kelvin Thomas – sales director, Wales and west
Patrick Wilkins – sales director, structured finance, south
Jeremy Smith – sales director, structured finance, north

Total number in team

200+

Time in business in the UK

Over 25 years

Details of latest deals

1. €100m cross-border accounts receivables solution for an established food group.
2. £52m cross-border – UK, Netherlands, France – asset-based lending facility, including receivables and inventory, for a well-established frozen food distributor.
3. £6m confidential invoice discounting facility for market-leading air conditioning and refrigeration company to support growth plans.
4. £5m receivables solution incorporating a cashflow loan and structured standby overpayment facility, supporting growth for a fast-growing recruitment business.
5. £3.8m asset-based lending facility, including confidential invoice discounting and P&M term loan, for a specialist earthmoving and civil engineering business, supporting projected growth and delivering significant cost savings.
6. £3.2m confidential invoice discounting facility to assist two Scottish seafood companies with their ambitious expansion plans.
7. £3m asset-based lending facility, including confidential invoice discounting and a revolving inventory line, for a long-established manufacturer and supplier of stationery products, allowing the business to refinance from a high street provider.
8. £2.2m confidential invoice discounting and asset-based lending solution, including a £600,000 Enterprise Finance Guarantee term loan to enable the acquisition by the management team of a plastic extrusion manufacturing business.
9. £1.7m refinance, with assured confidential invoice discounting facility and a £300,000 cashflow loan for contract/permanent recruitment.
10. £1.25m assured confidential invoice discounting facility, plus Enterprise Finance Guarantee variant – top-up – for a furniture manufacturer refinancing from a mainstream bank.
11. £1m confidential invoice discounting facility combined with Enterprise Finance Guarantee, assisting the MBO of a successful automotive spare parts firm.

Peter Ewen

Details of syndicates joined

1. €200m syndicated club facility for a corporate wholesale business, spanning teams across the UK, France, Germany and the Netherlands. ABN AMRO Commercial Finance led the arrangement of this cross-border solution and is the central collateral agent.
2. £30m ABL solution for a materials handling plant hire business. Incorporating funding of plant and machinery and trade receivables, the £30m funding line formed part of a six-bank syndicated facility – providing £200m in total to this market-leading group.
3. £20m participation in a three-bank £70m syndicated receivables facility for a rapidly-growing firm in the recruitment sector.

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Aldermore Invoice Finance


Carl D'Amassa

Management team

Carl D'Amassa – group managing director, business finance
Chris Weller – national sales director
Ross McFarlane – director, UK relationship management
Steve Noble – risk director
Andrew Dixon – director, specialist finance

Total number in team

200+

Time in business in the UK

Division of Aldermore Bank for six years

Details of latest deals

1. £4.8m CID refinance – large regional logistics and warehousing operator.
2. £3.2m CID – Strong regional presence in joinery and store fit-out. Working with regional equity funding also.
3. £0.8m – supported acquisition of existing connection with £3.3m aggregate exposure.

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Regional office addresses

Aldermore has a network of regional offices serving local intermediaries and SMEs in Manchester, Birmingham, Leeds, Bristol, Glasgow, Banbury, Maidstone and Twickenham.

Bank of America Business Capital

Management team

Jeremy Harrison – regional group head, London
Alister Bazaz – cross-border lending executive
Lee Masters – senior underwriter
Paula Kay Landgridge – senior portfolio specialist


Jeremy Harrison

Total number in team

Five in London; 245 in total

Time in business in the UK

20+ years

Continued on page 40

Continued from page 39

Details of latest deals

1. Agented a €172.5m ABL facility for an equipment rental company.

Details of syndicates joined

1. Participated in a $325m ABL facility for a distributor. Parent company is US-based.
2. Participated in a €118m ABL facility for a distributor.

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Barclays Trade and Working Capital

Management team

Karl Trumper – managing director
Eric Balish – Scotland and Northern Ireland regional director
Paul Shanks – northern regional director
James Webber – Midlands and south Wales regional director
Jeff Evans – eastern regional director
Russ Grazier – London regional director
Julie Smith – south regional director
Jeremy Uphill – head of large corporate, relationship management
Tim Bowater – head of SME, relationship management
Tristan Lafford – business management and strategy

Total number in team

Circa 440

Time in business in the UK

Commenced invoice financing business in 1964

Details of latest deals

1. Kelway – £108m term loan and revolving credit facility mandated lead arranger and facility agent.
2. International automotive manufacturer – £60m selective receivables facility.
3. UK recruitment company – £30m asset-based lending facility.
4. UK IT wholesaler – £5m asset-based lending facility.

Karl Trumper

5. UK confectionary wholesaler – £19.5m asset-based lending facility.
6. International seafood wholesaler – £15m confidential invoice discounting facility and £10m trade loan facility.
7. UK food supplier – £1.75m asset-based lending facility.
8. UK electrical wholesaler – £1.5m asset-based lending facility.
9. UK packaging manufacturer – £12m asset-based lending facility.
10. UK foodstuffs wholesaler – £4m trade loan facility.
11. UK animal feed manufacturer and distributor – £4m confidential invoice discounting facility.
12. International fresh fruit grower and wholesaler – £6m confidential invoice discounting facility.
13. UK hand tools manufacturer – £150,000 confidential invoice discounting facility.

Details of syndicates joined

1. Westcoast – £195m asset-based lending facility and term loan mandated lead arranger.
2. GAP Group Hire Solutions – £130m, up to £220m, asset-based lending facility.
3. Leading UK and international temporary manpower group – £80m syndicated confidential invoice discounting facility and £25m syndicated revolving credit facility.

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BLME

Management team

Robert Harris – director, ABL Finance
Katharine Tudor – senior manager, ABL finance

Total number in team

Six

Time in business in the UK

Four years

Details of latest deals

1. £8m inventory and revolving credit facility for a plant hire business.
2. £4m receivables facility for an IT consultancy company.
3. £3m wholesale funding facility to UK intermediary finance company.

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BNP Paribas Commercial Finance

Tim Corbett

Management team

Tim Corbett – managing director
Danny Burden – risk and asset management director

Total number in team

40

Continued on page 42

Continued from page 40

Time in business in the UK
25 years

Details of latest deals
1. £96.6m off-balance sheet receivables purchase facility for the UK operations of a global corporate.
2. £32m for a consumables manufacturer. Working capital funding was provided to enable the company to grow globally with an invoice finance non-recourse facility.
3. £28m for a packaging manufacturer. BNP Paribas was able to offer a four-country cross-border ABL solution to find a sponsor-led acquisition with a cross receivables and inventory finance facility.
4. £22m receivables finance non-recourse facility for the wholesale of office equipment. BNP Paribas Factor GmbH was able to offer a non-recourse receivables finance solution to achieve an off-balance sheet solution for Germany.
5. £850,000 for a fruit wholesaler. BNP Paribas provided working capital funding to enable the company to grow globally via an invoice finance facility.

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Close Brothers Invoice Finance

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David Thomson – CEO
Neil Jones – managing director, south
Ian Steward – managing director, north
Jacqui Brown – chief operating officer
Clive Gould – head of credit
Victoria Bishop – head of finance
Sean Thompson – head of marketing
Ciaran McAreavey – managing director, Ireland
Detlef Küßner – managing director, Close Brothers Factoring GmbH, Germany

Total number in team
220

David Thomson

Time in business in the UK
26 years

Details of syndicates joined
1. Recruitment, £1.5m, IDeal, switching providers, supporting huge growth.
2. Engineering, £1.5m, ID and bad debt protection, changed lenders for higher pre-payment and facility limit.
3. Manufacturing, £2m, IDeal, bad debt protection, switch in providers for higher levels of funding.
4. Packaging, £2.75m, confidential invoice discounting, MBO.

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GE Capital UK Ltd

Management team
Ian Wilkins – leader, commercial and corporate structured finance
Darren Millard – client services director
David Sheehan – senior credit officer
Adam Johnson – managing director, corporate structured finance
Alan Austin – national sales leader

Total number in team
Total in lending – 96

Time in business in the UK
Circa 50 years

Details of latest deals
1. Manufacturer and retailer, CID facility and non-recourse, £11.25m, MBO.
2. Design and packaging business, CID facility, £500,000, new working capital.
3. Packaging business, CID facility and P&M, £2.5m, MBO.

Details of syndicates joined
1. Equipment hire, £200m syndicate, six parties, refinance.

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Ian Wilkins

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HSBC Invoice Finance

Time in business in the UK
52 years

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What is going on at HSBC? For the first time in 18 years there was some difficulty in extracting the number for Receivables, a report the whole sector values so the reciprocity in contributing is a vital element in the mix.

Our all-asset finance review is in directory style and one purpose is to highlight to potential introducers just which company is doing the deals and where to offer them. HSBC declined to contribute anything here.

Traditionally, reticence is viewed in our sector with a whiff of whom has what to hide but surely this is not the case here.

Might we surmise that the activities on which we report are in the crosshairs for review?

The recent recruitment of Chris Hawes, and comment from competitors that HSBC is competing on the all-asset finance front more powerfully than ever before, makes the reluctance to join our review strange.

Leumi ABL

Paul Hird

Management team

Paul Hird – chief executive
Phil Woodward – managing director
Alan Couzins – operations director

Total number in team

49

Time in business in the UK

Nine years

Details of latest deals

1. Cooper Callas - £8.5m all-asset facility, including term loan, to support a management buy-out and private equity-backed acquisition of a bathroom supplies business.
2. Proportion London – all-asset facility, including term loan, to assist in the private equity-backed acquisition of a high quality bespoke mannequin business.
3. £10.5m ID and inventory facility to refinance a private equity-backed plastic materials business.
4. £4m multi-asset facility to support a management buy-out of a hobby craft business.
5. £10m multi-asset facility to support the private equity-backed acquisition of a specialised engineering business.

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Lloyds Bank Commercial Finance

Management team

Donald Kerr – managing director, client coverage, global transaction banking
Kashif Ahmad – managing director, mid-markets, global transaction banking
Ben Stephenson – SME client coverage director, global transaction banking
Gordon Ferguson – director and head of HP and leasing
Patrick Sherrington – corporate asset finance director
Mark Parsons – head of region, Midlands, east and south west, trade and working capital
Gordon Forster – head of region, north and Scotland, trade and working capital
Andrew Charnley – head of region, London and south, trade and working capital
Gary Griffiths – head of trade and receivables finance, global corporates, global transaction banking

Donald Kerr

Total number in team

More than 1,000

Time in business in the UK

More than 40 years

Details of latest deals

1. £20m confidential invoice discounting facility to support working capital growth; automotive sector.
2. £15m CID plus £40m term loan facility to private equity-backed business.
3. £60m ABL facility for PE-backed group incorporating stock and property.
4. £20m back-to-back finance facility.

Details of syndicates joined

1. £30m participation in £200m syndicate into the plant hire sector.
2. 50% participation in a £22m receivables facility in the food sector.
3. £15m participation in a £135m syndicate into the plant hire sector.

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Continued on page 44

Continued from page 43

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PNC Business Credit

Paul Beveridge

Management team

Paul Beveridge – managing director
Graham Barber – business development and marketing director
David Kelsey – portfolio director
Danny Harrison – operations and internal controls director

Total number in team

45

Time in business in the UK

Nine years

Details of latest deals

1. Agent on £100m ABL refinancing of Endless LLP-owned EVO Group.
2. £25.4m ABL financing for the acquisition of B&M Ltd by investors.
3. Undisclosed ABL refinancing for Hilco capital-owned Denby Holdings Ltd.
4. £5.5m ABL refinancing for Theo Fennell Ltd.
5. £8m refinancing for Lewmar Marine Ltd.

Details of syndicates joined

1. RBS Invoice Finance-led ABL syndication of plant hire business.
2. Lloyds Bank Commercial Finance-led ABL syndication for food products firm.
3. Bank of America cross-border ABL syndication for industrial business.

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Regional office addresses

PNC Business Credit has regional offices in Manchester, Birmingham, Southampton, Leeds, Cambridge and London.

RBS Invoice Finance

Steve Bentley

Jim Higginbotham

Management team

Steve Bentley – head of sales and client relations
Jim Higginbotham – head of corporate specialist sales
Kevin Haupert – acting head of ABL
Barbara Brown – regional managing director, Scotland
John Gribbon – regional managing director, north
John Hunter – regional managing director, Midlands and east of England
Mark Clayton – regional managing director, London and south east
Oli Watts – regional managing director, south west and Wales

Total number in team

425

Time in business in the UK

Part of The Royal Bank of Scotland

Details of latest deals

Corporate deals

1. Malted ingredients company, Muntons, secured an increase in its asset-based lending facilities in a deal worth £53.4m. As a result Muntons has moved all of its financial facilities across to The Royal Bank of Scotland.
2. Newton Aycliffe-based manufacturer Ebac has secured funding of £10.5m, including £5.5m of new facilities, from RBS Invoice Finance, RBS and Lombard.
3. Karro Food Group, one of the leading suppliers of British pork into the retail, trade and food service industries, has secured a £74m funding package by RBS Invoice Finance and another financial provider.
4. Glasgow-based GAP Group, the UK's largest independent equipment hirer, is targeting further growth after securing an initial five-year asset-based lending facility of an initial £130m with an accordion up to £220m. This has been provided by a syndicate of banks led by RBS Invoice Finance.
5. Oldham-based manufacturer James Briggs, a £50m turnover business with 200 staff, has secured a £9m working capital facility to assist international growth activity and expansion into new sectors.

Kevin Haupert

Barbara Brown

John Gribbon

John Hunter

Mark Clayton

Oli Watts

Business and commercial deals

1. South west manufacturing business Avalon Plastics secured an invoice discounting facility from RBS Invoice Finance to support growth. The RBSIF team worked alongside colleagues in NatWest and Lombard to support the business.
2. Dartford-based facilities management company Jones FM LLP is enjoying the benefits of an invoice finance facility which is helping to ease working capital constraints as well as providing them with the confidence to tender for new contracts.
3. Staffordshire-based Espace Europe Ltd has completed a management buy-out with the assistance of working capital provided by RBS Invoice Finance. This will enable the freight forwarding company to drive business growth.
4. Chesterfield-based Modular Wiring Systems Ltd secured a six-figure funding package provided by RBS Invoice Finance and NatWest to support the growth of the business.
5. Manchester-based recruitment firm Sellick Partnership has signed a new £3.75m refinance deal in support of its current growth. The package sees the firm bring all of its banking facilities under one roof, with invoice discounting facilities moved to RBSIF and its day-to-day business banking accounts handled by NatWest.
6. Mobkoi Ltd, a digital mobile advertising company based in London, has received an increase in its invoice finance facility.
7. Falkirk-based logistics company GPS Logistics secured a working capital facility designed to support cashflow while the business becomes established. The company has also secured banking facilities with RBS.

Head office address

Smith House
Elmwood Avenue
Feltham
Middlesex TW13 7QD
Tel: +44 (0) 800 716 313
e-mail: invoice.finance@rbsif.co.uk

Shawbrook Business Credit

Management team

Tim Hawkins – managing director
Lisa Wood – deputy managing director and chief credit officer
Hari Sabharwal – group financial controller
Andrew Rutherford – commercial director, south
Stuart Bates – commercial director, north
Andrew Mason – head of underwriting
David Long – head of risk
Wendy Parish – head of portfolio

Total number in team

52

Time in business in the UK

Seven-and-a-half years

Details of latest deals

1. E Pearson (Removals) Ltd – £1.8m structured ABL facility to support the MBI of this long-established international removals business.
2. £8.75m ABL facility to support the growth of a PE-backed business supplying vehicle spares and accessories.
3. Spanish Slate Quarries – £6m receivables, stock and cashflow facility to support international growth.
4. £14m receivables, stock and property facility to The Jacobson Group, a family-owned footwear supplier.
5. £2.5m ABL facility to support the MBO of Manchester-based Trafford Rubber.
6. £225,000 working capital facility to a Lancashire-based pharmacy group through Shawbrook Business Credit's specialist pharmacy finance team.

Details of syndicates joined

1. £15m participation in £110m ABL syndication to enable business growth.

Tim Hawkins

Head office address

69 Park Lane
Croydon
Surrey
CR0 1JD
Tel: +44 (0) 208 603 2900
e-mail: businesscredit@shawbrook.co.uk

Regional office addresses

Shawbrook Business Credit has regional offices in Glasgow, Manchester, Birmingham, Leeds and London.

Continued on page 46

Continued from page 45

Wells Fargo Capital Finance

Management team

Steven Chait – managing director, Europe, the Middle East and Africa regional head
Nigel Hogg – director, EMEA regional head of credit
Ian Bramley – director, asset-based lending
Judith McMath – director, asset-based lending
Jon Norton – director, asset-based lending


Steven Chait


Nigel Hogg

Total number in team

30+

Time in business in the UK

20+ years

Details of latest deals

1. Equipment hire company – joint lead arranger on an £88m asset-based credit facility.


Ian Bramley


Judith McMath


Jon Norton

2. Equipment hire company – arranger on a £135m asset-based credit facility.
3. Online fashion retailer – sole lender on an asset-based working capital facility to fund growth.
4. Radiator manufacturer – sole lender on a £22m asset-based credit facility.

Details of syndicates joined

1. Plant and tool hire company – participant in a £130m asset-based credit facility.

Head office address

5th Floor
Bow Bells House
1 Bread Street
London EC4M 9BE
Tel: +44 (0) 845 641 8888

Regional office addresses

One Victoria Square
Birmingham
B1 1BD
Tel: +44 (0) 121 616 0310

Cotton House
12-18 Queen Street
Manchester
M2 5HS
Tel: +44 (0) 161 300 8680

Summary

The **Business Money** All-Asset Finance Review is ever in directory form and allows the participants to notify the world as to where they can be found and the business they have written. I have already written of my surprise at the demeanour of HSBC, maybe the advent of Chris Hawes will bring about a return to what is best described as normality.

The capacity to advance against an all-embracing asset package has taken a while to mature on the shores of the UK but is now an accepted weapon in the armoury of a finance director or business owner seeking to escape the onerous conditions and loss of control involved in going to the equity markets. That said, those providers are often keen to involve all-asset finance providers to eke out precious capital when viewing an acquisition or providing a capital boost to a prospect.

The good work done by bodies such as the International Factors Group and the Asset Based Finance Association in heading off regulatory and legislative proposals is a vital part of taking this medium of lending forward. Given that the, long-gone, heady days of overseas conferences held by the latter organisation in the quest for uniform security measures to accelerate cross-border lending are but cherished memories we now see a world where transacting business across borders is no easier and maybe more difficult in some cases.

That said, who would have guessed four or five years ago that HSBC, Barclays and RBSIF would be all-asset finance competitors and cited as serious players by some US-based lenders.

We always close our review with a poll of the preferred professional supporters of the sector and whilst thanking the vast majority that contributed heartily, one or two seemed to feel that this had to be kept secret, doing their professional friends few favours.

The lawyers' poll has become more lively though a flat graph amongst 14 participants with three spikes. The top three from last year have swopped places though Squire Patton Boggs was the clear winner.

Pinsents seems to be making some headway and may challenge the big three next year.

We had 12 valuers nominated and here Hilco once again prevailed and Gordon Brothers leapt into second place, displacing ES Group that dropped to third.

Continued on page 48

Continued from page 46

Outsourced due diligence support saw 19 providers named. This is an area that crosses the borders between several professional disciplines and a flatter poll saw KPMG at the top, Atlantic making second place on the back of some good first preference scores with Grant Thornton taking third.

Preferred reporting/recovery produced a dozen nominees. Three of the big four fought it out here with KPMG again in first place by a whisker from Deloitte and bustled up by PwC with BDO unlucky to miss the top three. This was a bumpy graph, one that saw Duff and Phelps miss the top three and this team and that of Baker Tilly could well feature next year.

Viewing the wider marketplace, both Santander and Metro Bank will be invited to consider joining us in 2016.

My thanks to everybody who contributed to the review.

I will close on a thoughtful note. Cutting costs is easy in the short term but client service suffers as a consequence, risk management too. The last 18 months have seen a swathe of deeply experienced invoice finance leaders removed from the sector.

It would be a shame if the great achievements of the sector in the last four years in leading the UK SME sector out of recession end up with it having diminished market share, increased losses and a plummeting client satisfaction level.

I saw this happen in banking as seasoned managers were culled to save costs and attempts made to commoditise facilities and services into production line products, administered by box tickers with no feel for the culture or content.

The result is a banking industry with low morale, poor customer satisfaction levels and a sector that now equates itself with the utilities. A dream for the cost accountants but often a poor place for SMEs that need so much more as they create 90%+ of all new UK employment. It also accounts for a burgeoning P2P sector.

I hope that regulation, an over-reliance on data excavation software and strictures to cut costs, always the easy option as opposed to increasing revenues, does not take too much of the UK receivables market in this direction. One large bank is now trying hard to repair the damage caused when it trod too far down the de-skilling route. Surely it would have been cheaper and easier in the long run to have never allowed it to happen.

Editor

Lawyers	
Rank	**Company**
First	Squire Patton Boggs
Second	Addleshaw Godard
Third	DLA

Outsourced due diligence	
Rank	**Company**
First	KPMG
Second	Atlantic
Third	Grant Thornton

Valuers	
Rank	**Company**
First	Hilco
Second	Gordon Brothers
Third	ES Group

Preferred reporting/recovery	
Rank	**Company**
First	KPMG
Second	Deloitte
Third	PwC

Invoice finance restrictions lifted to aid small firms

Businesses will be freed from restrictive clauses in contracts that prevent them from gaining invoice finance when new measures come into force next year, the Department for Business Innovation & Skills has announced.

The move, to be put into effect in early 2016, is designed to open up more funding opportunities and specifically benefit small firms.

More than 44,000 UK businesses receive over £19bn of funding via invoice finance at any one time, according to the Asset Based Finance Association. However, the size of the market is limited by clauses designed to prevent a supplier from sub-contracting work.

These clauses have the unintentional consequence of blocking invoice finance arrangements and will be nullified, while retaining a customer's right to prevent traditional sub-contracting arrangements.

Small business minister Anna Soubry said: "SMEs are the economic backbone of Britain, and we will do everything possible to make sure they continue to grow and create jobs. By scrapping restrictions on invoice finance, thousands of firms across the country could benefit from faster access to hard-fought funds.

"While invoice finance may not be right for everyone and is absolutely no excuse for late payment, I want small businesses to have the option of using it to increase their cashflow. This is all part of our plan to maintain the UK's position as the best place in Europe to start and grow a business."

ABFA CEO Jeff Longhurst added: "This is good news for UK businesses. As the government recognises, invoice finance is a key source of funding for SMEs in particular, and taking effective action against bans on the assignment of invoices will allow more businesses to unlock the funding tied up in their unpaid invoices."

The national chairman of the Federation of Small Businesses, John Allan, concluded: "We agree with the government's stance that invoice financing should never be used as an excuse for late payment. We welcome the steps being taken to improve payment culture, including the recently announced plans for a small business commissioner."

www.gov.uk/bis

Business Money

All-Asset Finance

Lenders & contact details	Min criteria turnover; Net worth; Requirement (£m)	Advances against:					Other comments
		Debtors	Stock	Plant & Equipment	Property	Facility costs (rates + margin)	
ABN AMRO Commercial Finance ● Tel: +44 (0) 808 250 3471 enquiries@abnamrocommercialfinance.co.uk www.abnamrocommercialfinance.co.uk	5.00 n/a 2.00	90%	80%	80%	80%	neg	Asset-based financier offering comprehensive ABL packages comprising of revolving receivables and inventory finance, fixed asset term loans and cashflow facilities for MBOs/MBIs, mergers, acquisitions, restructuring, turnarounds, progressive refinancing and growth.
Barclays Trade & Working Capital ● Tel: +44 (0) 800 227 222 http://www.barclayscorporate.com/	5.00 neg neg	85%	60%	80%	60%	neg	Total asset-based lending solutions involving invoice finance, stock finance and asset finance.
Bank of America Business Capital Europe (BABC) ● Tel: +44 (0) 20 7996 4546 www.bankofamerica.com/businesscapital	40.00 neg 10.00	yes	yes	yes **(c)**	yes **(c)**	neg	Committed asset-based bank line including working capital, acquisitions and term loans supported by full multifunctional facilities including letters of credit, global cash management and foreign exchange.
BLME ● Tel: +44 (0) 20 7618 0000 Fax: +44 (0) 207 618 0065 abl@blme.com www.blme.com	10.00 n/a 5.00	90%	70%	80%	80%	neg	Full ABL packages for established UK-based companies, typically comprising revolving receivables and inventory facilities, term facilities, guarantees and facilities secured against fixed assets.
BNP Paribas Commercial Finance ● Tel: +44 (0) 845 693 1433 Fax: +44 (0) 1892 544159 www.commercialfinance.bnpparibas.co.uk	3.00 neg neg	90%	50%	–	–	neg	A BNP Paribas Group company – pan-European solutions through a unique network of 13 European businesses plus capacity in Asia through our Hong Kong business and Africa through Morocco. MBO/acquisition finance, EDI facilities.
Close Brothers Invoice Finance Tel: +44 (0) 808 256 8361 www.closeinvoice.co.uk	5.00 n/a 2.00	yes	neg	yes	60%	neg	Blending inventory and property funding with decades of receivable and asset expertise. Close Brothers listen to businesses to create tailored multi-asset solutions.
Five Arrows Business Finance Tel : +44 (0) 1489 775600 Fax : +44 (0) 1489 775601 enquiries@statesecurities.plc.uk www.fabf.com	neg	yes	no	100%	70%	neg	Use of asset products in conjunction with SFLG is a common theme in the SME market. Funding of MBOs, MBIs and new-starts. Re-finance and re-structuring.
GE Capital, Commercial Distribution Finance ● Tel: +44 (0) 1932 792000 Fax: +44 (0) 1932 792003 www.gecapital.com	neg	85%	100%	no	-	neg	Pan-European distribution finance provider of floor planning, stock financing (for identifiable durable goods), invoice discounting, import/export.
GE Capital ● Tel: +44 (0) 870 850 0315 businessfinance@ge.com www.gecapital.co.uk	3.00 neg neg	85% **(b)** max	Up to 80% **(a)**	80%	50%	neg	Pan-European and global capabilities in addition to asset-based lending, equipment finance, vendor programs, commercial distribution finance, healthcare finance and fleet services.
Goldcrest Finance Ltd Tel: +44 (0) 161 833 3470 Fax: +44 (0) 161 819 1952 www.goldcrestfinance.com/tradefinance	0.25 – 0.05	no	100%	no	no	neg	SME specialist in trade finance lending packages for turnarounds, phoenixes, MBOs and refinancing proposals.
Hampshire Trust Plc Tel: +44 (0) 207 862 6236 commercialfinance@htb.co.uk www.htb.co.uk	n/a n/a 500k	85%	80%	75%	75%	neg	Asset based lending and structured finance transactions.
Haydock Finance Ltd Tel: +44 (0) 1254 685850 Fax: +44 (0) 1254 685827 www.haydockfinance.co.uk	neg	no	no	100%	no	neg	Very much open for business for new hire purchase, leasing and refinance proposals for business assets including industrial plant & machinery, commercial vehicles, equipment and machine tools.
Investec Growth & Acquisition Finance Tel: +44 (0) 20 7597 4101 www.investecspb.co.uk	- - 4.00	yes	yes	yes	yes	neg	Specialist mid-market focus providing asset-based lending, cashflow, mezzanine and minority equity for growth, mergers and acquisitions, MBO/MBIs, refinancing and restructuring. Funding £4m-£50m.
Leumi ABL Ltd ● Te:l +44 (0) 1273 716200 Fax: +44 (0) 1273 716210 www.leumiabl.co.uk	1.00 neg neg	up to 95%	80%	80%	Via Bank Leumi (UK)	neg	Full range of financial solutions offered, creative and flexible; specialising in the mid-market available for MBOs, MBIs, acquisitions, growth finance, turnarounds and restructuring.
Lloyds Bank Commercial Finance● Tel: +44 (0) 800 550022 www.lloydsbankcommercialfinance.co.uk	1.00 neg neg	90% max	yes	yes	yes	neg	Specialises in finance secured against debtors, stock, plant and machinery, land and buildings and hire purchase and leasing facilities.
Nucleus Commercial Finance Tel: +44 (0)20 7839 1980 sales@nucleus-cf.co.uk http://www.nucleuscommercialfinance.com/	1.5 - -	100%	80%	80%	80%	neg	Specialises in structuring ABL facilities of £1-10m for UK businesses. Focus on construction and IT businesses with contractual elements, MBO/MBI, acquisition finance.
PNC Business Credit Tel: +44 (0) 1444 475820 www.assetbasedlendinguk.co.uk donedeal@pncbusinesscredit.co.uk	- n/a 5.00	yes	yes	yes	yes	neg	The PNC Business Credit Group has in excess of $30bn of asset-based lending commitments. We specialise in full service ABL for all types of funding needs for UK and US based companies.
RBS Invoice Finance Ltd ● Tel: +44 (0) 800 711911 Fax: +44 (0) 20 8895 7796 www.rbsif.co.uk	10m	90% max	yes	yes	yes	neg	Part of The Royal Bank of Scotland Group. Offer a range of finance solutions including factoring (with and without credit protection), invoice discounting (with and without credit protection) and asset-based lending.
Reward Commercial Finance LLP Tel: +44 (0) 113 246 2700 tom.flannery@rewardcf.com www.rewardcommercialfinance.com	neg	yes	yes	yes	yes	neg	Offering a wide range of services, including invoice discounting, factoring, all aspects of asset-based lending. Cashflow facilities for MBOs, acquisitions and growth. Independent and flexible and does not have any restrictions on the facility type or value.
Santander Corporate Banking Tel: +44 (0) 121 212 1112 www.ukcorporatebanking.com	neg	85%	yes	80%	yes	neg	Full asset-based lending. Offering a wide range of tailored solutions provided on a relationship-based approach to suit the corporate market.
Secure Trust Bank PLC Tel: +44 (0) 7721 239513 Email: davidparsons@securetrustbank.co.uk www.securetrustbank.com/commercial	1.00 neg neg	90%	80%	80%	80%	neg	Asset Based lending for SME's against debtors, stock, plant and machinery and property.
Shawbrook Business Credit ● Tel: +44 (0) 20 8603 2900 Fax: +44 (0) 20 8681 8045 www.shawbrookbusinesscredit.co.uk/	1m plus neg	yes	yes	yes	yes	yes	Asset-based lending for SMEs, specialists in providing finance secured against debtors, stock, plant and machinery, property and cashflow.
Wells Fargo Capital Finance Tel: +44 (0) 845 641 8888 Fax: +44 (0) 845 641 8889 www.wellsfargocapitalfinance.co.uk	20.00 - -	85%	40-80%	80%	80%	neg	Wells Fargo Capital Finance provides comprehensive asset-based lending and technology finance to mid to large corporates throughout the UK and beyond. We deliver flexible financing options for companies facing a variety of situations.

Key: **(a)** If separate + 100% debtors **(b)** 100% if stock included **(c)** On medium-term basis up to seven years.

The information in this table is updated every month.

Record high for new car sales through dealerships

Research data for May from the Finance & Leasing Association

The number of new cars bought on finance provided through dealerships grew by 6% in May compared with the same month a year earlier.

The latest figures from the Finance & Leasing Association also show that average advances to consumers for new car purchases were up by 4% in May to £16,500 compared with May 2014. As a result of this growth, the percentage of private new car sales financed by FLA members through dealerships reached 77.6% during the 12 months to May 2015 – a record high.

The point-of-sale consumer used car finance market also showed continued growth, with new business up 8% by value and 3% by volume in May compared with May last year.

Geraldine Kilkelly, head of research and chief economist at the FLA, said: "Recent research by Oxford Economics showed the importance of FLA motor finance providers to the UK economy, funding more than 57% of all consumer spending on cars in 2014, up from 35% in 2007."

www.fla.org.uk

Table 1: Cars bought on finance by consumers through dealerships

	May 2015	% change on previous year	Three months to May 2015	% change on previous year	12 months to May 2015	% change on previous year
New cars						
Value of advances (£m)	1,215	+10	5,197	+14	14,750	+13
Number of cars	73,659	+6	317,440	+9	920,459	+9
Used cars						
Value of advances (£m)	972	+8	3,138	+14	11,199	+15
Number of cars	92,431	+3	299,915	+10	1,083,499	+10

Table 2: Cars bought on finance by businesses

	May 2015	% change on previous year	Three months to May 2015	% change on previous year	12 months to May 2015	% change on previous year
New cars						
Number of cars	45,328	+15	154,314	+19	504,966	+14
Used cars						
Number of cars	3,300	-4	10,963	-1	40,274	-17

Finance House Base Rate

The FHBR is 1.0% for August 2015, which represents no change compared with July 2015. Based on current trends, the FHBR is likely to remain at 1.0% in September 2015.

Asset finance new business up by 6% during May

Asset finance new business, primarily leasing and hire purchase, grew by 6% in May compared with the same month last year, according to new figures released by the Finance & Leasing Association.

IT equipment finance saw growth of 39% in May, while plant and machinery finance and car finance grew by 6% and 21% respectively. However, commercial vehicle finance saw a decline of 3% compared with May 2014, and business equipment finance fell by 20%.

Aircraft, ships and rolling stock finance, meanwhile, declined by 60%.

FLA chief economist Geraldine Kilkelly commented: "The asset finance market has recorded its strongest start to a year since the financial crisis, with new business up by 16% during the first five months of 2015. New data from Oxford Economics demonstrates just how important the asset finance industry is to the UK economy. In 2014 it funded almost 28% of all UK investment in ICT equipment, software, transport equipment and other machinery, and supported some 84,000 UK jobs."

www.fla.org.uk

Asset finance business provided to fund investment

	May 2015	% change on previous year	Three months to May 2015	% change on previous year	12 months to May 2015	% change on previous year
Total FLA asset finance (£m)	2,151	+6	7,789	+18	27,665	+15
Total for deals of up to £20m (£m)	2,118	+6	7,541	+16	26,641	+14
Data extracts						
Plant and machinery finance (£m)	458	+6	1,572	+15	5,667	+17
Commercial vehicle finance (£m)	481	-3	1,808	+13	6,288	+8
IT equipment finance (£m)	143	+39	481	+46	1,891	+29
Business equipment finance (£m)	139	-20	532	-1	2,210	+10
Car finance (£m)	780	+21	2,676	+23	8,633	+18
Aircraft, ships and rolling stock finance (£m)	14	-60	192	+225	450	+59

RAC and Lex Autolease launch service for SMEs

RAC Business has joined forces with Lex Autolease to offer SMEs a new vehicle leasing service which aims to both support business growth and provide greater choice and flexibility for fleet managers.

The RAC's Business Club customers now have the option to lease vehicles through a vehicle management portal offering new cars and light commercial vehicles provided by Lex Autolease.

In addition to regular special offers and more competitive leasing rates, customers will benefit from complementary fleet services provided through the Business Club platform. These include RAC Telematics, RAC Fuel Cards, accident management services, van-for-van replacement and duty of care guidance.

Jenny Powley, corporate sales director at RAC Business, said: "Leasing vehicles rather than buying outright can be a much better option for businesses that rely on being on the road, as they have the security of reliability and don't have to worry about unexpected servicing or breakdown costs, because that is covered. As such their business will operate more smoothly, which puts them in a better position to grow.

"We are confident that customers will see the clear benefits of this arrangement and take advantage of the special promotions open to them."

Business development director at Lex Autolease, Andrew Goodwin, added: "It's not only large businesses that can benefit from vehicle leasing. Opting to lease rather than buy cars and vans can unlock valuable capital for SMEs.

"This an indispensable resource for sole traders, entrepreneurs and small firms looking to work more effectively to achieve their ambitions."

www.rac.co.uk/business

A happy marriage or a horseless carriage?

Iain Robertson examines the relationship between premium class vehicles and business motoring

Although the descriptive use of the word premium is stoically North American, at least in automotive terms, it is a designation that has become the darling of the executive fleet. Even so, I wonder about its longevity.

Premium is as premium does. It escalates expectations, has delivered in spades and, without exception, carries a much-enhanced price tag. Fortunately, at least in the UK used car sector, it amortises an up-front investment by taking a higher-than-average residual value with it, which almost ensures that the price to change runs at only marginally increased levels above non-premium products. Judicious buying results in a quid quo pro.

Such was the rate of inflation during the latter half of the 1900s that the buyer of a Rolls-Royce – which is now classified as super-premium – would acquire the car and trade it off a few years later without incurring a loss. Would that were the case today. Yet, with increasing numbers of vehicles on our roads, a more affluent population and the current position of both private and corporate buyers not even using their own funds to acquire new vehicles, allied to an occasionally mentioned attachment to snob value, the growth of the premium sector is unprecedented.


Audi's TT provides a stylish and sporty drive

In the UK it's all about image, especially in the corporate market. While the French businessman is perfectly happy to drive a beaten-up Renault Cinq to meetings, and his German counterpart would remove the upmarket designation of an upmarket model to create an aura of normality about his transport, here the opposite is true. The more premium the perception of a vehicle, the greater is the perceived worth of the individual driving it. This fits with the subliminal class system that exists in our country.


The Mercedes GLA whisks the firm into the lower-end SUV sector

There are many aspirants to the premium crown. However, it is interesting to note that Chinese-owned Volvo no longer wishes to be regarded as premium, while Jaguar would love to be but its actual sales expectations – around 200,000 units annually – are too low for it to warrant a place in the upper echelons. Cadillac may be premium in its North American domestic scene, but the brand carries only limited status in the UK and Europe. Lexus enjoys a straddling position, but Infiniti cannot shake off its oriental Datsun origins.

This leaves us with three rather important brands – Audi, BMW and Mercedes-Benz. In a total UK new car sales table of 2,476,435 units registered in 2014, the premium trio managed to secure an outstanding 158,987, 148,878 and 124,419 respectively, or almost 17.5% of the entire market. Spread across just three brands, such a figure is substantial at least. Mind you, a recovering Merc – from its ownership shenanigans with the Chrysler Corporation and a continual bolstering of its

brand – is presently showing BMW a cleanish pair of rear wheels in the first half of 2015, a factor burnished by the C-Class model securing the annual Car Of The Year award.

Put into perspective, the sometime median market representative, Ford and its popular Mondeo model line-up, managed to sell/register just 14,163 examples in 2014. It is a downward spiral for the brand that remains the UK's best seller by some margin but makes stark comparison with the BMW 3-Series equivalent at 38,649, the Mercedes-Benz C-Class at 31,525 and the Audi A4 – with a new model set to hit the roads imminently – at 22,728 units. All figures supplied by the Society of Motor Manufacturers and Traders.

Naturally, some consideration needs to be given to the multiplicity of models sold by each of the Teutonic threesome. All possess massive ranges that are growing month-by-month. However, they still have to watch market developments very judiciously to avoid being wrong-footed. As a result, with the continued upwards fascination for SUVs or lookalike variants that are just two-wheel-drive, the largest developmental ground left for Audi-BMW-Merc lies in that sector and each of them is snaffling up sales left, right and centre. With environmental pressures, including taxation, also being high on the list of requirements, smaller and eco-friendlier models are seeing increased brand demand as well.

Yet, a large question remains. While the three premium players enjoy basking in the limelight, the mainstreamers have been sharpening up their arrows. Other members of the immense and world-leading VW Group have latched onto Audi's coat-tails. After all, when the pennies are pinched, why bother with the four rings when a VW badge can carry as much kudos? After all, a Passat is largely identical to an A4 beneath the skin and, while hardly an image-free zone, VW provides satisfyingly high value and quality but remains pleasingly neutral in perceived status terms.

BMW's latest 1-Series fills a gap at the premium entry level

Ford is putting the full weight of its substantial marketing operation behind the Vignale sub-brand as a means of retaliation. However, it has a burgeoning battle on its hands with South Korean brands Kia and Hyundai – which are the same company intrinsically – coming up on its blind-side, and myriad Japanese brands gathering momentum too. How long the Teutonic trio can remain at the top of the tree is anyone's guess at the moment, because the new car scene is hectically busy and there remains an incipient threat of the premium brands spreading their ranges too thin, despite offsetting production overheads against much shared technology.

For the moment, driving business class means a happy marriage of premium to corporate budgets but the market remains shaky all the same, receiving gentle knocks on the reliability and recalls fronts, and a few injudiciously inserted coffin-nails might terminate it far quicker than it started.

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Industry News

Total recall

Vehicle recalls are increasing in number. Jaguar/Land Rover is the most recent victim, with more than 65,000 vehicles sold in North America having a software error that can unlatch the doors unwittingly, thereby creating a major security issue.

Honda has been forced to spend upwards of £234m on recalls related to the failure of Takata airbags in its models, a fault that also affects Fiat and Chrysler Group products adversely.

As you will read in the lead story, the three German premium brands have not escaped scrutiny and the vast number of component failures of Audi, BMW and, to a lesser extent, Mercedes-Benz products have resulted in poor ratings being provided to them by the German vehicle standards agency. As a result, there is an increasing call from the EU for greater standardisation of specific electronic components.

Company car carelessness

Research from Venson, an international survey company, has revealed that upwards of 28% of company car drivers are electing to ignore dashboard warnings in their vehicles. Consequently, both servicing and major maintenance issues are being brought to bear by car companies reluctant to engage with either warranty or recall issues.

Key findings included 58% of users believing that car servicing is their employers' problem, while only 52% bother to top up fluid levels regularly and a potentially lethal 66% neither check their tyres nor top-up air pressures.

Budget botheration

The recent Budget has caused great consternation among vehicle groups and advisory bodies, which state that the newly reformed Vehicle Excise Duty rules, which come into effect in 2016, are both unfair and unsustainable.

Zero emissions vehicles will not pay a fee, while some higher-priced vehicles will be liable to a surcharge of £2,000. The promise of creating a roads fund in 2017 is a sop and frankly ludicrous, because roads denigration, which should be covered by VED in the first place, will only require even more extensive repairs in two to three years' time. The additional over-50% rise in insurance premium tax is also an unfair penalty.

Government commitment to small firms questioned

News from the Forum of Private Business

Following the announcement of the government's small business commissioner role, the Forum of Private Business has written to the prime minister urging him to appoint additional members to the Business Advisory Group so that it can properly represent the UK's small business community.

The group is a small collection of business leaders from sectors of strategic importance to the UK, and will meet quarterly to provide high-level advice to the PM and senior ministers on critical business and economic issues. However, the lack of SME representation on the group means that government strategy is fundamentally flawed.

Another strategic business advisory group – the chancellor's Star Chamber – made a similar mistake but realised the need for SME representation, co-opting John Wright, a former FSB chairman, onto the group.

Ian Cass, the managing director of the FPB, said: "Once can be considered an oversight, but twice? We do not doubt the competence and quality of the individuals involved, but their experience of current legislation, supply chain issues and even the tax system are based on corporate life and not that of businesses with limited resources.

"A large problem with red tape is that best practice from the corporate or public sector has been foisted on smaller firms where the owner is often present in the workplace and so does not need to compile managerial reports for head office. In the last few years SME regulation has increased despite a continuing deregulation agenda."

Ian Cass

> "The forum has campaigned for a commissioner to tackle late payment"

The FPB represents thousands of micro, small and medium-sized employers up and down the country, and forum members and similar businesses have created 15.2 million jobs and will create 65% of jobs, based on the last recovery. However, during the coalition government the share of turnover provided by SMEs slipped below 50% to 48%, and the changes in the budget have unfairly targeted responsible business owners of limited companies.

Ian continued: "Since the Groceries Code Adjudicator was announced the forum has campaigned for a commissioner to tackle late payment, and we welcome the potential extension of the powers that this new position may have. However, the wider issue of cashflow has been made worse by increases to the national minimum wage at a time when SMEs are having to pay for pension auto-enrolment, disproportionate regulatory costs, uncertainty over access to finance and the increased likelihood of traumatic events such as HMRC investigations.

"Greater engagement with the UK's 1.2 million small businesses is needed for the government to create the strategy and infrastructure that provides widespread, sustainable growth for the country."

> "In the last few years SME regulation has increased despite a continuing deregulation agenda"

www.fpb.org

Forum of Private Business

Fact file

- 99% of businesses are not represented on the new strategic advisory group to businesses.
- SME compliance has risen by 8% in real terms during the past two years despite the deregulation agenda.
- SME turnover is now 48% of UK private sector when it was a majority in 2010.

Bibby's brilliant year

Business Money editor **Bob Lefroy** interviews **David Postings**, CEO at Bibby Financial Services

Good morning David. You are doing two jobs right now so some short sharp answers to some short sharp questions?

DP: That's fine by me Bob.

Construction; word from the street has it that you are very busy in this area just now and that a reshaped team is doing the business.

DP: Word from the street is on the money Bob, the team has done well. During H1 2015 we wrote 100% more construction deals than during H1 2014.

There has been marked shift to link invoice finance to trade finance, first to give the client a seamless transactional experience but also to improve your own operating margins. Are you involved in this trend?

DP: Very much so. In the 12 months to June 2015 we have more than doubled our trade client base.

What about the vanilla options David? It is clear that you have been reshaping the whole client proposition over the last couple of years. Clearly Bibby no longer bottom feeds, to the great relief of the few that do,

> "In the 12 months to June 2015 we have more than doubled our trade client base"

David Postings

but how has the shift up-market gone? Has it cost you business?

DP: Far from it Bob. We averaged over 100 deals a month throughout the first seven months of this year and the associated income was our highest ever average figure through working with better quality clients.

That is great. Do they stay around for longer too David? Attrition levels are everything are they not?

DP: Let the numbers do the talking Bob. Our client life has improved by 28% in three years.

Compared to some and historically, it could be argued that your hard asset finance wing has been seen at the front end as often as some of your competitors. I recall you telling me that this was a priority when you were appointed. How has it panned out?

DP: Our leasing business is on track to have made a sixfold PBT increase 2012-2015. I am pleased with the progress here Bob and there is more to come.

> "We have massively improved our web presence and are spending less to achieve more"

I would be a lousy editor were I not to notice the investment in regional business centres that has been a feature of time at the UK helm. At a time when other institutions are cutting back on infrastructure and fixed costs, has the move been a success?

DP: Having made a big investment in people and premises in the West Midlands new business volumes have doubled and as I have already highlighted, the business is of high quality. I am never satisfied but I must confess to being pleased with the progress here.

David. For a long time you had one IT partner for the UK and another for the global network. Has the changeover to a unified system been completed.

DP: It has been a long haul Bob but we have completely re-platformed the UK business to Aquarius in 18 months.

Last and far from least, what about the web? It is your instant shop window?

DP: We have massively improved our web presence and are spending less to achieve more. And you know that we have lower complaint levels, happier clients and sit 50th in the *Sunday Times* best companies to work for league table. A decent start I would say, and there are loads more positive stats.

David Postings, CEO,
Bibby Financial Services
www.bibbyfinancialservices.com

Manufacturers pressured by stronger sterling

Data from the Confederation of British Industry's Quarterly Industrial Trends Survey

UK manufacturing growth continued during the three months to July, but exports are set to weaken, according to the latest Quarterly Industrial Trends Survey from the Confederation of British Industry.

The survey of 445 firms reported slower growth in total new orders during the quarter to July, though it remained above average. Growth in total new orders, output and numbers employed are projected to remain firm over the next quarter.

The volume of new export orders rose slightly, but the outlook for the next quarter is gloomier. Survey respondents continue to report sharp falls in competitiveness in the EU, likely linked to Sterling rises earlier in the year. Political and economic conditions abroad were also seen as a constraint on orders by a significant number of firms.

Investment intentions remain similar to the last quarter, staying above their long-term averages, with plans for spending on building and plant and machinery improving slightly.

CBI deputy director general Katja Hall said: "Manufacturers are continuing to feel the pressure from the stronger pound, and greater buoyancy in exports remains a missing element from the UK's recovery. Nevertheless, we're encouraged by the government's commitment to take steps to address this as part of its productivity plan.

"The EU remains our largest trading partner, so while the UK economy's direct exposure to Greece is minimal, we must encourage all leaders to act decisively to preserve growth and stability throughout the eurozone. Despite Sterling pressures and the challenging global backdrop, investment intentions remain above average."

Katja Hall

Key findings – three months to July 2015

A third (33%) of businesses reported an increase in total new order books, and 24% a decrease, giving a balance of +9%. This remains above the long-run average (-1%). The balance for domestic orders (+12%) was also well above the long-run average (-5%) and the same as the previous quarter.

The balance for export orders (+6%) was broadly unchanged from that in the previous two quarterly surveys (both +4%), but is above the historical average (-7%). A quarter (25%) of manufacturers said employment numbers were up, and 15% said they were down, giving a balance of +10%, up from +5% in April.

In total, 28% of firms reported a rise in output volumes, and 16% a decrease, giving a rounded balance of +12%, well above the average of +1%.

Manufacturers' investment intentions compared to the previous 12 months rose slightly for buildings, to -14%, from -19%, and for plant and machinery, to -3%, from -6%.

However, intentions dipped slightly for product and process innovation, to +17%, from +18%), and for training and retraining, to +22%, from +25%.

Manufacturers believe that their competitiveness in the EU is continuing to decline sharply, and firms with present capacity at least adequate to meet expected demand fell below the long-run average.

Optimism about the business situation increased a little (+8%), while sentiment about export prospects for the year ahead fell slightly (-5%). The number of firms citing political/economic conditions abroad as a constraint on export orders during the coming three months grew to 34% from 28%.

In addition, 60% of manufacturers said orders or sales were factors likely to constrain activity during the next quarter, the lowest since October 1988.

Key findings – next quarter

More than a quarter (26%) of manufacturers expect total new orders to increase, and 18% expect them to decrease, giving a balance of +8%, the lowest since October 2012 (+8%).

A balance of +9% expect domestic orders to rise – 26% expect an increase, and 17% a fall. Also, -7% expect new export orders to rise, with 21% predicting an increase and 28% a fall, the lowest since October 2011 (-14%).

In total, 30% of firms anticipate a rise in output volumes and 16% a fall, giving a rounded balance of +15%. Plus, 22% expect employment to increase and 15% expect it to decrease, giving a balance of +7%. This is well above the long-run average of -12%.

Separately, the CBI published monthly figures for July which showed that total order books for manufacturers (-10%) were the lowest since July 2013 (-12%). Export orders were broadly in line with their long-run average; -17% against an average of -20%.

www.cbi.org.uk

GIAR and its implications for the industry

John Brehcist presents more figures from the IFG's latest study

John Brehcist

Last month in this column I told you about the IFG's Global Industry Activity Report for 2014, which showed that annual client turnover had increased by 4.3% to reach €2.3tn.

Here, in this second part of the review, I want to share some of the qualitative feedback given by the respondents to gain a barometer of the providers' views on the state of the industry and its prospects for the future.

Awareness and acceptance

Respondents were asked about awareness of factoring as a financial solution in their respective countries. In total, 14% felt it was low compared with 22% in 2013; 72% thought it was medium compared with 62%; and 14% thought it was high, against 15% in 2013. This indicates a continued general improvement over the period and continuous progress in raising awareness.

But the perceived level of acceptance remains an issue; 21% still report the product as having low acceptance. This of course means that, as an industry, we continue to have a significant challenge to improve this situation.

Demand and turnover

Confidence that demand for factoring will continue remains very strong, with 68% of respondents believing that the environment is positive. As before, while the majority also see the environment as positive for expected turnover levels, the overall level of confidence that demand will translate is not as strong with 12% expecting a negative outlook for turnover. This probably reflects the concern – and the reality – that economic activity is not universally improving.

Profitability

Profitability expectations also reflect the concerns of the providers regarding the economic environment. The proportion of respondents with a positive outlook reduced to 33% from 48% in 2013, with neutral now 51% compared with 36% and negative remaining unchanged at 16%.

Debtor and client risk

Debtor risk perceptions were also a little more downbeat with 12% positive compared with 26% in 2013, 58% neutral against 57%, and 30% negative compared with 17%. This reduction follows a marginal improvement trend in confidence last year and again reflects trading conditions.

Perceptions of client risk also show a more challenging position, with those positive reducing to 9% from 21%, negative increasing to 35% from 15%, and neutral perceptions remaining fairly steady at 56% compared with 64% in 2013. Providers are therefore in general more concerned about client risk and remain cautious.

Industry development prospects

Despite their concerns, the majority remain positive and, as before, nearly all the remainder neutral. That said, the overall confidence level continued to deteriorate, with the proportion positive reducing from 75% to 63%. It appears that after another year of significant global economic turmoil, providers remain positive but noticeably more cautious.

Regulation and law

In GIAR 2014, for the first time, we asked respondents about their legal and regulatory environments and 43 countries provided feedback.

More than half of the respondents (56%) reported that factoring in their country is a regulated activity. Despite the prevalence of regulation, in only 35% of reported cases is there a law which specifically controls factoring. There's a clear disconnect between environments which are unregulated and have no specific law and those which are both regulated and legally controlled.

What does it all mean?

The respondents to GIAR provide us with a real barometer for the health of the global economy and of the industry in which we operate. The overall figures for the year show that the industry is making an ever-increasing contribution to supporting growth but, equally, macro-economic challenges obstinately remain. This reality is reflected in the perception of the respondents who are generally positive but realistic about the prospects for the industry in the coming year.

From this analysis, the importance of the industry's organisations coming together to speak with one voice about the opportunities and benefits that our kind of funding brings is clear and apparent; 2015 is without doubt going to be a key year in the development of the industry!

John Brehcist, IFG consultant
www.ifgroup.com

Much work still to be done

Director general **John Longworth** presents the key findings from a British Chambers of Commerce review of the government's progress in meeting business priorities since it was elected

John Longworth

The UK government has taken a number of positive steps to support British business in the first parliamentary session since the election, but there are some areas of serious concern that remain unaddressed.

This is the conclusion of a new report published by the British Chambers of Commerce which reviews the government's progress in meeting business priorities during the 75 days since it was elected.

Before the election the BCC published its *Business Manifesto*, setting out seven core areas where businesses wanted to see government action to help boost their growth and the UK economy as a whole.

The BCC has reviewed the government's progress against each of these priority areas – and while we've found a strong commitment to keeping Britain open for business, there is still a great deal of work that needs doing.

> Businesses have to be more involved in discussions about devolution

This government has started to take a number of practical steps that businesses will welcome, such as stronger support for companies seeking to invest. However, to be remembered as the government that turbo-charged great growth it must do much more to boost exports, to further improve access to finance and to ensure that the right infrastructure is in place.

Ministers must maintain their momentum, and take more tough and radical decisions – including on airport capacity – over the coming weeks and months, in order to secure Britain's growth and prosperity for the long term.

Below is a summary of how the BCC judged the government to have peformed so far on each of the seven priority areas for business, and the steps we would like to see taken to progress things further.

Develop the talents of our next generation: Good progress

For business, there have been four key steps taken to develop the talents of the next generation. First, the newly-announced National Infrastructure Plan for Skills, which is a very promising idea. A genuine long-term strategy and vision for skills would allow businesses to better plan and invest in their workforce, and would help to tackle persistent skills shortages.

Second is the important change that, from September, Ofsted will consider outcomes for pupils and the links between schools and firms when making its assessments – something we have long called for.

Third is the government's focus on apprenticeships over the course of this parliament. Apprenticeships can be a great tool to help training and launch careers but the focus should be on quality, not quantity. The emphasis ought to be on improving apprenticeships to make them more attractive to employers. We are also disappointed that businesses were not consulted on the move to fund these apprenticeships through a levy on larger firms. The government has to work with business if such initiatives are to be effective.

Fourth, freeing up our universities to compete will make them stronger and better at addressing some of the skills gaps that businesses face.

Support long-term business investment: Good progress

It is great that the government has accepted our case for a permanent annual investment allowance to give businesses the certainty to invest. We called for it to be higher than the £200,000 announced, but this is certainly a step in the right direction.

More needs to be done to support and promote investment. The next step must be to get the British Business Bank – and the prime minister's excellent Help to Grow scheme – in a position to support more growing companies. Access to finance, including non-equity loan finance, must be a priority area for action for the whole of this parliament and beyond.

Grow Britain's global trade potential: Serious concerns

It is widely accepted that the UK has to rebalance its economy away from a reliance on consumer spend and towards trading with the rest of the world. The government acknowledged as much when it set a target of securing exports worth £1tn by 2020. However, since setting that ambitious target, we have seen precious little progress toward meeting that crucial goal, with the gap still standing at nearly £400bn.

> "A world-class economy needs a world-class infrastructure; at present we have nothing of the sort"

Until we see a radical shift in approach we will not see a change in our performance. The new business secretary is spearheading a drive to make boosting exports a key responsibility for all government departments, not just UKTI. Also, the new minister for trade and investment is looking for radical ways to change and improve the system. Business will think we have the right ministers with real motivation to tackle the issues, but we need to see progress and quickly and the proof of the pudding is in the eating.

Place business at the heart of local growth: Variable progress

Businesses don't support devolution for devolution's sake, but they do welcome greater local decision-making if it means greater efficiency, greater accountability and better results. In order to help secure those better results, businesses have to be more involved in discussions about devolution and feel that they are not simply part of a tick-box consultation exercise.

Our proposal for a ratepayers' vote on local economic development strategy would ensure that plans for an area's future have the support and input of the whole business community. We also need to see evidence of local public sector procurement supporting local businesses.

Drive down business costs and taxes: Variable progress

The government has made some bold changes to the tax regime, such as the further reduction of corporation tax and the increased Employment Allowance, which are clearly pro-business commitments.

However, there are other areas connected with business costs where we have heard encouraging statements but are yet to see to see any positive changes, for example, on the review of business rates and the commitment to cut £10bn of regulation red tape. In both areas there has, so far, been more rhetoric than action. Businesses will also want assurances that, in introducing the National Living Wage, measures will be in place to minimise the impact on smaller firms, for whom adjustment will be harder.

Rebuild Britain's business infrastructure: Serious concerns

On infrastructure, the government has talked a good game; however, businesses make judgements on actions, not warm words. Air, rail, digital and energy infrastructure require big decisions and these have been sidestepped or delayed. Whether it be the lack of certainty in implementing the Airports Commission recommendations, paused railway upgrades, or completing the legal framework for HS2, business patience has run out.

A world-class economy needs a world-class infrastructure; at present we have nothing of the sort. Britain currently lags behind other developed countries, ranking only 27th in the World Economic Forum's measure of infrastructure. To remove one possible excuse for inaction, the government should take investment that boosts economic growth out of the national debt target – like many of our key competitors – thus enabling it to maintain a credible commitment to sound public finances while increasing investment in infrastructure.

Develop a new settlement for Britain in Europe: Variable progress

The prime minister has set out some aspects of his reform and renegotiation agenda with the EU, but not with enough clarity. We would like to see much more focus on business concerns, such as regulatory burdens imposed by the EU, the completion and proper operation of the common market for services and goods respectively, cast-iron safeguards for non-eurozone countries on decision making and integration, and a balanced approach to immigration.

Recent events, such as when the UK was forced to support an emergency loan to Greece, demonstrate the need to do more to guarantee a firewall between the eurozone and other members of the EU. Businesses will want to see a strong and credible package of reforms that protect the national interest.

John Longworth, director general, British Chambers of Commerce
www.britishchambers.org.uk

Bibby boosts its operations in Leicester

Bibby Financial Services has opened its new business centre in Leicester, including the expansion of its existing operations at Grove Park, Enderby.

This coincides with release of BFS' latest *SME Confidence Tracker* report, which reveals improving confidence in the East Midlands. More than half of the region's SMEs are expecting to see a growth in sales, and almost three quarters are planning to invest in recruitment, technology or new markets during the months leading to October.

Sharon Wiltshire, managing director for the region, commented: "The East Midlands is a hotbed of entrepreneurship, and it's evident that local businesses are confident about their future prospects, which is fantastic. I'm delighted to announce the opening our new business centre in Leicester, which will provide us with the location and capability to help more businesses grow."

First opening in Leicester in 1994 upon the acquisition of invoice finance company Anpal Finance Ltd, BFS moved to Enderby in 2010 where it services business customers throughout the UK. It currently has 50 employees based in Leicester providing more than £40m in funding to SMEs.

Initially, the new centre will see the creation of 10 roles with further job creation over the months ahead, and it is hoped that the expanded office will act as a hub for SMEs and business advisors alike.

Sharon concluded: "I believe it is these growing, ambitious enterprises that will help to fuel further economic stability throughout the UK."

www.bibbyfinancialservices.com

European buy-out value set to rise again

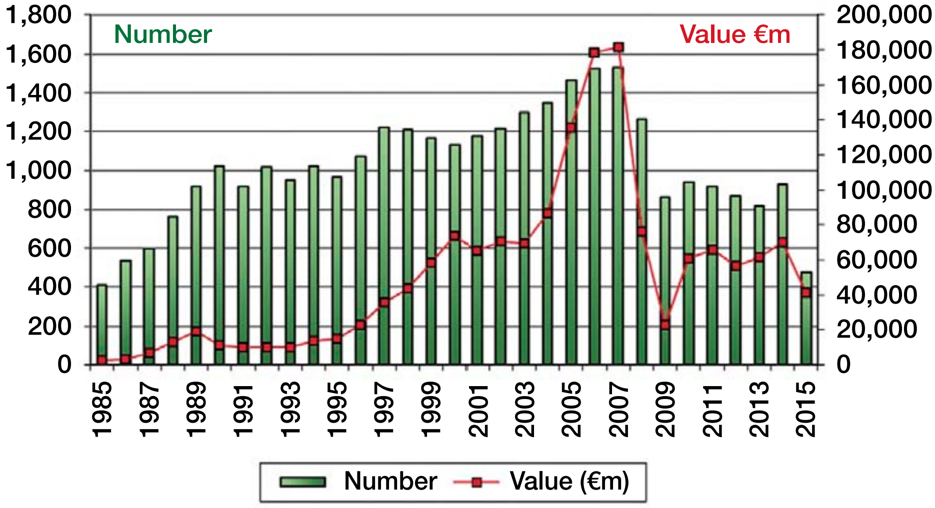
Data from the Centre for Management Buy-Out Research covering H1 2015

The value of European buy-outs is on course for a third successive year of growth, with deals collectively worth €41.2bn already recorded during the first half of 2015; this is after the market rose to €61.5bn in 2013, and again in 2014 to €70.2bn.

Nevertheless, the latest totals are still well below the record €181.6bn of 2007, and the €178.7bn recorded in 2006.

The new European report for H1 2015 from the Centre for Management Buy-Out Research, supported by Equistone Partners Europe, also reveals that the number of deals has held up well during the first six months of this year.

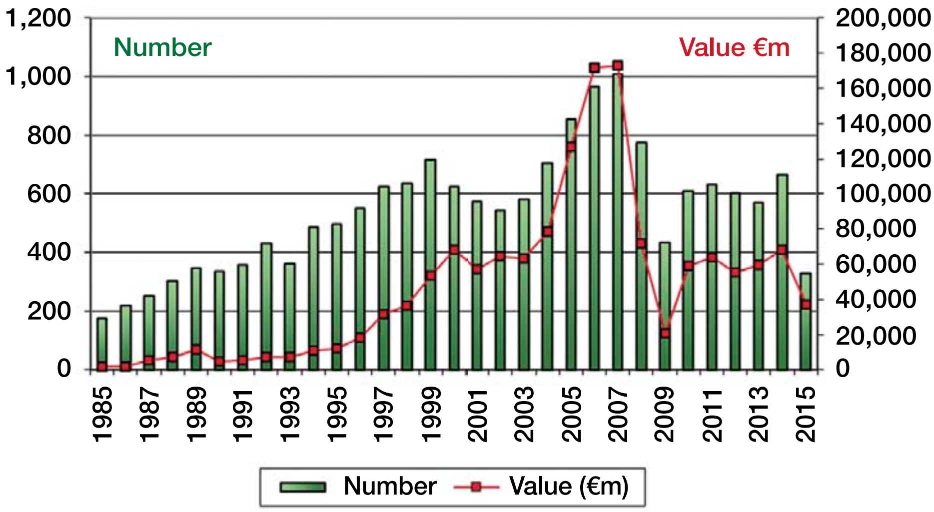
Figure 1: European buy-out trends – number and value by year, to end of H1 2015 Source: CMBOR and Equistone Partners Europe



In 2007, a total of 1,531 buy-outs was recorded across the whole of Europe. This dropped to 862 in 2009, and by 2013 the number had fallen to 820 deals. Last year, however, buy-out volume increased to 927 – and things are looking similarly positive for 2015, with 477 deals recorded during the first six months.

Private equity-backed buy-out value across Europe has been strong so far this year as well. From the record total of €172.9bn recorded in 2007, the figure dropped to €20.8bn in 2009. Since then, however, things have improved – PE-backed value rose to €59.7bn in 2013, and then to €68.6bn in 2014, and the total is on track to rise again this year with €37.3bn recorded during H1 alone.

Figure 2: European PE-backed buy-out trends – number and value by year, to end of H1 2015 Source: CMBOR and Equistone Partners Europe

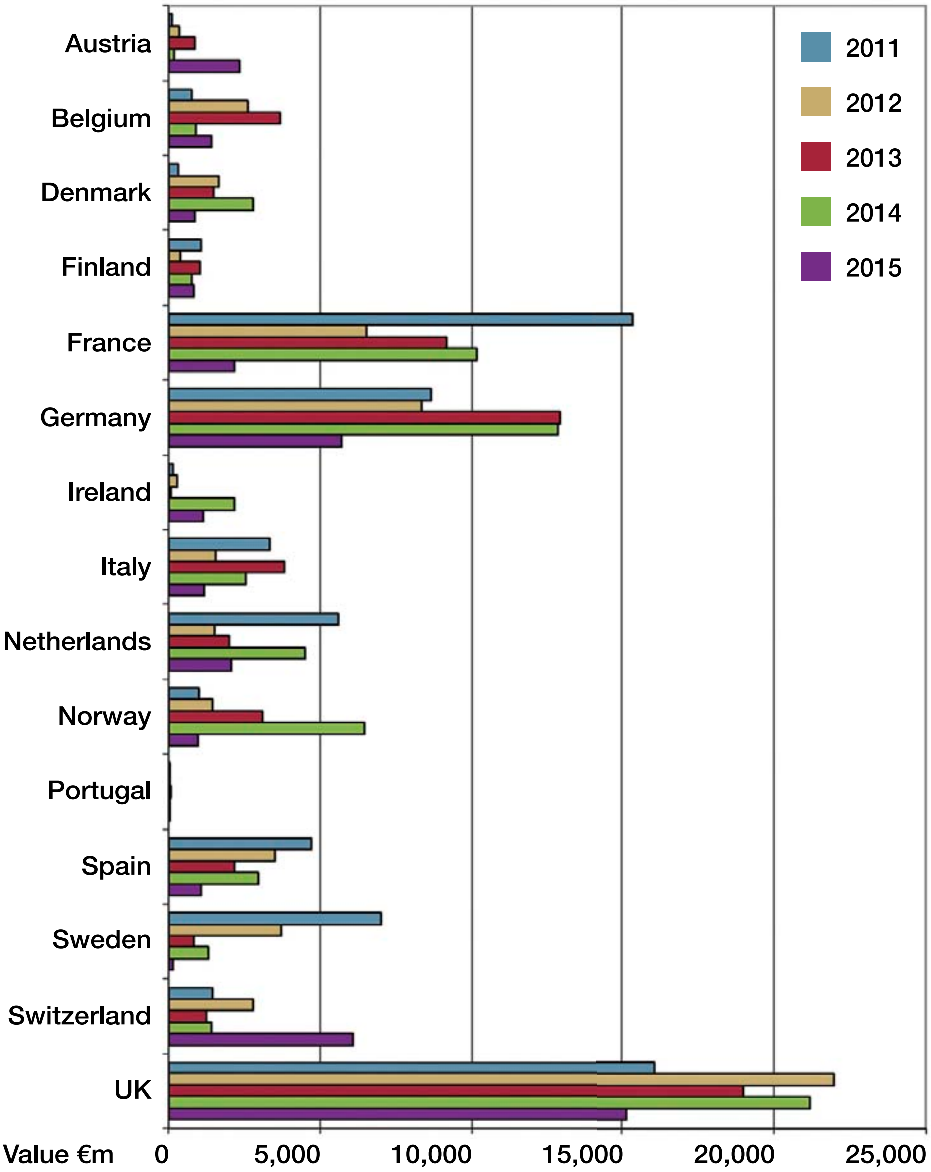


European highlights

- The number of PE-backed buy-outs throughout Europe fell to 435 in 2009 from a record 1,010 in 2007. The total rose to 667 in 2014, and in the first half of 2015 there were 329.
- The record quarterly value for the European market was €58.8bn in Q2 2007. In 2014 Q3 was the highest at €21.3bn with €19.9bn in Q4. In Q1 2015 €27.4bn was recorded falling to €13.7bn in Q2.
- In Q3 2005 buy-outs reached a record 414. In 2014 the highest quarter was Q4 at 243 buy-outs, with 248 in Q1 2015 and 229 in Q2.

- UK value rose to €21.2bn in 2014 with €15.2bn in H1 2015. Germany remained flat at €12.8bn in 2014 with €5.7bn in H1 2015. France recorded €10.2bn in 2014 with just €2.2bn in H1 2015. Switzerland recorded €6.1bn in H1 2015 from just seven buy-outs.
- The UK remains the largest country by volume with 206 deals in H1 2015 after 409 in 2014. The French market had 112 buy-outs in 2014 with 52 in H1 2015. Germany rose to 89 deals in 2014 with 47 in H1 2015. The Netherlands had 29 buy-outs in H1 2015 with Spain at 23.

Figure 3: European buy-outs/buy-ins by country – value of deals, to end of H1 2015 Source: CMBOR and Equistone Partners Europe



Buy-outs over €500m on the rise

Large-scale buy-outs – those with a value of €500m or more – reached a record level in 2007, with 88 recorded during the whole year. This total fell to just seven in 2009, but last year there were 32, and during H1 2015 a total of 19 large deals were completed. The total value of deals over €500m reached €122.1bn in 2007; this declined significantly in 2009, when a total of €6.3bn was recorded. Value rose to €33.2bn in 2014, with €23.4bn recorded during the first half of this year.

Buy-outs in the €50m-€500m mid-market range totalled 385 across Europe in 2006, but this fell to 95 in 2009. In 2014 there were 162 such deals, with 82 in H1 2015.

The mid-market range saw €11.5bn invested in 2009 after a record €54.7bn in 2006. In 2014 €29.7bn was recorded, and in the first half of this year the total value of mid-range deals reached €14.6bn.

Smaller buy-outs – those below €50m – declined in 2009 to 760. The total dropped again in 2013 when 642 such deals were completed, but numbers rose in 2014 to 733, and there were a further 376 in H1 2015. The total value of sub-€50m buy-outs rose in 2014 to €7.3bn, and in the first six months of this year the total reached €3.1bn.

The average value of all buy-outs fell from a record €119m in 2007 to €27m in 2009. However, in H1 2015 average value is the second highest on record at €86m.

Switzerland provides two of the largest buy-outs in 2015

Switzerland-based SIG Combibloc was the largest buy-out in Europe during H1 2015, valued at more than €3.7bn; another Swiss deal, Orange Communications, was the third largest at €2.3bn. The biggest buy-out outside Switzerland in H1 2015 was New Look, in the UK, with a value of €2.6bn.

Private companies continue to provide the highest deal flow

Family/private firms contributed 35% of all European buy-outs during 2013; this proportion increased to more than two fifths during 2014 and in the first half of 2015.

Local parent divestment buy-outs rose to 22% of deal volume in 2013, with a decline to 19% in 2014 and 16% in 2015. Secondary buy-outs accounted for 25% of market volume in H1 2015. By value, secondary buy-outs were the largest source contributing 45%.

Manufacturing volume holds up

Manufacturing remained the largest European sector by volume in 2014, with 274 buy-outs. In H1 2015, a total of 138 deals were completed in the sector. Business services recorded 48 buy-outs during H1 2015, with technology, media and telecommunications at 72 and leisure at 35. Manufacturing, at €13.3bn, and TMT, at €8.7bn, were the largest sectors by value in the first six months of 2015.

Debt levels rise

Average debt for all European buy-outs stood at 42% in 2013. In 2014 average debt levels rose to 45%, and a figure of 56% was recorded in H1 2015.

For European deals of more than €100m, average debt rose to 53% in 2013 and 56% in 2014. During the first half of 2015 there was a further rise to 60%.

Continued on page 62

Continued from page 61

Equity levels for all buy-outs fell to 44% in H1 2015. Figures for deals over €100m show average equity stakes stood at 40% during the first six months of this year.

Deal pricing increases

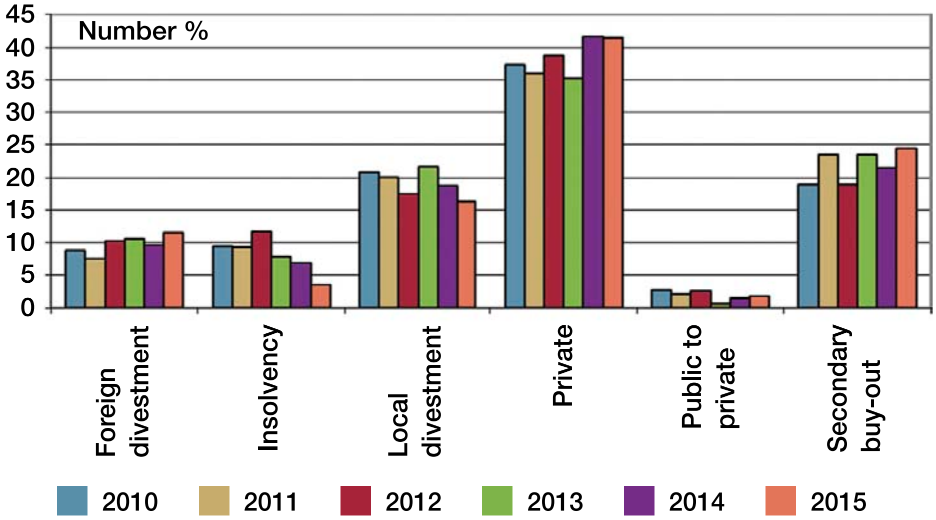
EBITDA multiples for European buy-outs between €10m and €100m were 7.9 in 2014, with a rise to 10.7 in the first half of 2015. For buy-outs valued at more than €100m, EBITDA multiples rose to 12.7 in H1 2015.

Exit value could reach a record level during 2015

Exits in Europe reached a record 861 during 2007, but this figure fell sharply to 472 in 2009. From 514 in 2012, exits rose to 539 during 2013 and 582 last year. During H1 2015, exits numbered 284.

Trade sales numbered 116 in H1 2015. Secondary buy-outs rose to 200 during 2014, and there were 118 in the first half of this year. IPOs more than doubled to 45 in 2014 from 20 in 2013. In H1 2015 there were 25 IPOs.

Figure 4: Sources of European buy-outs/buy-ins – percentage of total number, to end of H1 2015 Source: CMBOR and Equistone Partners Europe



The largest exits in Europe during H1 2015 were the IPO of Grandvision and the trade sale of Springer Science & Business Media. Both had a value of €5bn.

Total exit value in Europe fell to €13.4bn in 2009, which was just over a tenth of the record €125.2bn seen in 2007. During 2012 exit value fell to €58.3bn, but the total rose to €81.2bn in 2013 and €116bn in 2014. It looks like this year exit value is on track for a new record, with €82bn recorded during the first half.

CMBOR and Equistone Partners Europe
www.equistonepe.com

Major European buy-outs in H1 2015

Company name	Country	Deal month	Vendor	Value (€m)	Value type
SIG Combibloc Group	Switzerland	March	Reynolds Group (New Zealand)	3,750	Actual
New Look	UK	June	Apax & Permira	2,613	Actual
Orange Communications	Switzerland	March	Apax Partners	2,327	Actual
Constantia Packaging	Austria	March	One Equity Partners	2,300	Actual
Sivantos/Siemens Audiology Solutions	Germany	January	Siemens AG	2,150	Actual
Senvion	Germany	May	Suzlon Energy (India)	1,050	Estimated
Advanced Computer Software/ACS	UK	March	Prudential + insurance companies	1,008	Actual
Sky Bet/Sky Betting and Gaming	UK	March	Sky PLC	1,001	Actual
Jurys Inn Group	Ireland	March	Westmont Hospitality Group (USA)	915	Actual
Exact Holdings	Netherlands	February	Public-Private	730	Actual
Paroc (Safari Finco 1)	Finland	February	Consortium of banks	700	Actual
Big Bus Tours	UK	March	Private	695	Actual
Trainline/thetrainline.com	UK	March	Exponent Private Equity	695	Estimated
Premium Credit	UK	March	GTCR	642	Actual
Survitec	UK	March	Warburg Pincus	623	Actual
Wittur Deutschland	Germany	April	Triton	600	Actual
Ibstock Group	UK	April	CRH plc	575	Actual
Evry ASA	Norway	March	Public-Private	530	Actual
Danube Foods Group	Netherlands	May	Salford Capital (Serbia)	500	Estimated
Sunrise Medical	Germany	June	Equistone Partners	450	Estimated
Weener Plastik	Germany	June	Lindsay Goldberg	450	Estimated

Common sense law

Business Money talks to City barrister Professor **Mark Watson-Gandy** about the recent Supreme Court decision in Arnold v Britton

***Q** In a nutshell, why is the Supreme Court's decision important?*

A The headline ruling is about what role business common sense has to play in interpreting contracts.

***Q** Presumably business common sense always has a role to play?*

A Not necessarily. Where the words are clear and unambiguous, the court must apply it even though the outcome is improbable: Co-operative Wholesale v National Westminster Bank [1995]. Nor should the court reinterpret terms merely because its terms now prove to be imprudent for one or the other party: Arnold v Britton [2015].

***Q** What is the court trying to do when it interprets a contract?*

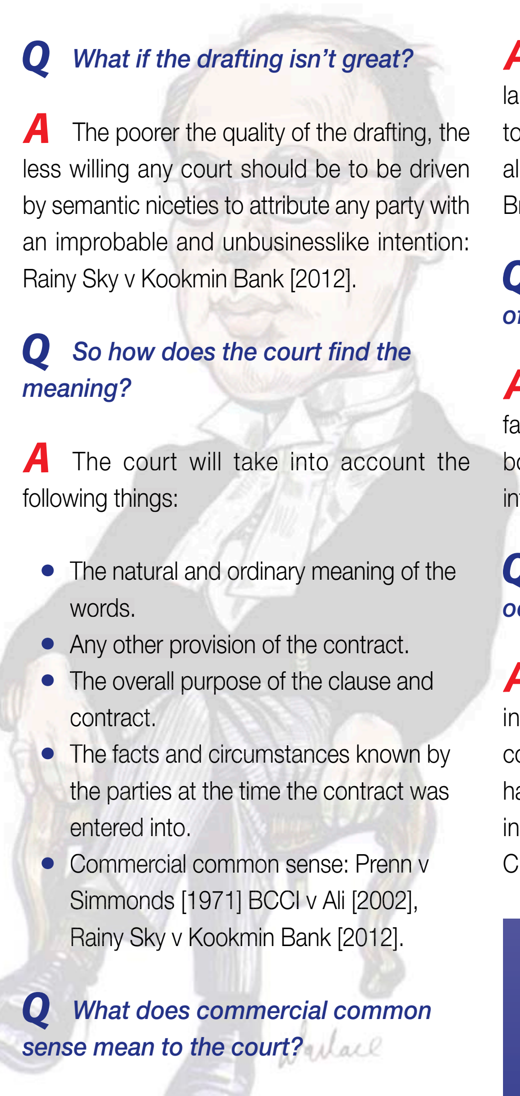
A It aims to determine what the parties meant by the language used. The court's role is to identify what the parties agreed, not what the court thinks they should have agreed: Arnold v Britton [2015].

***Q** So the court needs to hear from the parties as to what they meant?*

A No, that's not it at all. What it involves is ascertaining what a reasonable person would have understood the parties to have meant: Pink Floyd Music v EMI [2010].

***Q** You mean like someone looking at what the parties agreed from outside?*

A Yes, but it's not as simple as that. This is because the relevant reasonable person is assumed for these purposes to have all the background knowledge the parties had at the time they entered into the contract: Investors Compensation Scheme v West Bromwich Building Society [1998].



***Q** What if the drafting isn't great?*

A The poorer the quality of the drafting, the less willing any court should be to be driven by semantic niceties to attribute any party with an improbable and unbusinesslike intention: Rainy Sky v Kookmin Bank [2012].

***Q** So how does the court find the meaning?*

A The court will take into account the following things:

- The natural and ordinary meaning of the words.
- Any other provision of the contract.
- The overall purpose of the clause and contract.
- The facts and circumstances known by the parties at the time the contract was entered into.
- Commercial common sense: Prenn v Simmonds [1971] BCCI v Ali [2002], Rainy Sky v Kookmin Bank [2012].

***Q** What does commercial common sense mean to the court?*

A Lord Bingham in The Starsin [2003] said it was the meaning that businessmen in their ordinary dealings would give to the documents. But it is judged at the time the contract was entered into; the court mustn't rescue a party from a provision merely because, with the benefit of hindsight, it now turns out to be a bad deal: Arnold v Britton [2015].

***Q** So what else did the Supreme Court say?*

A The court should not undervalue the language used by the parties or be too quick to find fault with the drafting; the parties, after all, chose the language they used: Arnold v Britton [2015].

***Q** What about the state of knowledge of the surrounding facts?*

A The court should only have regard to facts and circumstances that were known to both parties when the contract was entered into: Arnold v Britton [2015].

***Q** And what if something unexpected occurs after a contract is entered into?*

A If something happens that was not intended, judging from the wording of the contract, and it is clear what the parties would have intended, the court can give effect to that intention: Arnold v Britton [2015], Aberdeen City Council v Stewart Milne Group [2012].

Questions for *Counsel's Opinion* should be e-mailed to:
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New global financing company formed from quintet of businesses

A new alternative finance provider, powered by a proprietary technology and analytics platform, has been launched with the aim of becoming the most diverse worldwide alternative SME financing platform.

Based in Manchester, Capify combines five previously separate companies which were all founded by CEO David Goldin, including:

- United Kapital, founded in 2008 and operating in the UK, with headquarters in Greater Manchester.
- Capiota, launched in 2013, which acts as United Kapital's business loan product provider, also with headquarters in Greater Manchester.
- AmeriMerchant, founded in 2002 and operating in the US, with New York City headquarters.
- AUSvance, founded in 2008 and operating in Australia, with headquarters in Parramatta, New South Wales.
- True North Capital, founded in 2007 and operating in Canada, with headquarters in Toronto.

Tony Pegg, Capify's UK managing director, said: "This is an exciting time for businesses seeking added value in alternative financing. The creation of Capify allows us to build on our UK number one position to offer even more flexibility and scalability to our customers, who often suffer from a lack of suitable banking products. By working with customers we help them choose solutions that suit their business models and expansion plans."

Capify will serve as the international brand for a conglomerate of alternative financing solutions. This includes merchant cash advance and business loans and other working capital products for SMEs. Existing customers of United Kapital and Capiota will see no change in their existing financing deals.

David commented: "Capify's innovative merchant cash advance service works by providing capital to businesses that derive the majority of their income through credit card and debit card sales, which acts as an efficient alternative to traditional business loans.

"It works by a business selling a share of future credit card and debit card sales for a merchant cash advance, between £3,500 and £500,000. Repayments are made on an agreed fixed percentage of each credit or debit card transaction the business makes. This makes it efficient for businesses that are looking to grow or expand. There is also no early settlement fee and no fixed monthly repayment, and the repayments are made only when the business is making sales."

Capify also provides business loans between £3,500 and £500,000, allowing SMEs to repay daily in small increments, rather than facing large weekly or monthly repayments.

David concluded: "We're proud to finally announce ourselves as a global conglomerate that is one of the first international movers in the alternative finance space, and the only alternative financing provider who can help small businesses with working capital solutions in the UK, US, Australia and Canada."

Aldermore revamps full range of buy-to-let mortgage products

Aldermore has revamped its entire range of buy-to-let mortgages, launching new standard and specialist products which offer simple through to complex cases for all types of brokers and landlords, including companies owning buy-to-let properties.

A key part of the revamp is bringing the bank's residential and commercial buy-to-let ranges under one proposition. As a result, residential mortgage brokers and landlords will have access to a wider variety of products, from the standard range for individuals with single residential units through to the specialist range for limited companies, houses in multiple occupation and multi-freeholds.

Similarly, commercial mortgage brokers and landlords will now be able to access the standard range, which includes two, three and five-year fixed rates from 4.18%, while the maximum loan to value available is now 80%, up from 75% previously. These products were previously unavailable to commercial mortgage customers.

The specialist range allows residential mortgage brokers to access new products for more complex buy-to-let cases. These include two, three and five-year fixed rates from 5.18% and variable rates from 4.93%.

A recent survey by the bank found that 84% of intermediaries and landlords believe that lenders need to be more innovative to meet the varied needs of landlords. In the survey of 323 intermediaries, 63% of participants thought that landlords face too many restrictions from lenders.

Furthermore, 29% said that lenders appear reluctant to lend to landlords and 53% said lenders do not do enough to support the needs of the changing buy-to-let market.

In response, Aldermore has created a new buy-to-let hub for intermediaries which will host information and expert commentary on the BTL market.

Other product enhancements introduced across the specialist BTL range include:

- Increasing the maximum term from 20 years to 35 years.
- Increasing the mortgage term on interest-only up to 35 years from 10 years.
- Reducing early repayment charges.
- Removing the fixed rate booking and commitment fee; previously £500 booking fee and 0.5% commitment fee.

Charles Haresnape, group managing director for mortgages, said: "This revamp clearly demonstrates our commitment to the buy-to-let market and shows we will not sit still. Our new range covers the full and broad spectrum of buy-to-let, from the simple to the complex, catering for all types of broker and landlord.

"These changes have been introduced in response to feedback from our broker and landlord customers. As a relatively new entrant to the banking sector it is imperative that we listen to our clients' needs, and we are constantly looking at ways in which we can innovate and evolve."


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3176